The China Weekly

REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

America and Great Britain Juggle the North-China Issue

ARTICLES IN THIS ISSUE

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(By the Review's Hankow Correspondent)

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The Objective of Recent Japanese Moves . By Paul K. Whang

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Contents

Editorial Paragraphs

Is Exterritoriality to Be Next on the Schedule?... 73
America Awaits Britain's Move—Both Hope Russia Will Undertake the Job! 74
Rev. Boynton's Circular—Missionary Interest in Collapse of Raven Enterprises 76

Special Articles

American Oriental Bank Liquidation Concentrates on Securing Cash Funds 80
Japanese Conquest of North China and Mongolia Continues; Important Political Changes in South Pending 82
From Non-Resistance to Submission and Subjection .....By C. Y. W. Meng 87
Demands of Japanese Militarists Cause Great Anxiety in Financial Circles 90
The Objective of Recent Japanese Moves ....By Paul K. Whang 92
Pan-American "Oriental Clipper" Making Test Flight to Midway Island 94
Chiang Kai-shek's Troops Move North 98
Who's Who in China 101
Men and Events 102
War in the Far East Is Inevitable for U.S.A..... .....By Samuel H. Chang 104

CONTENTS OF PREVIOUS ISSUES OF THE CHINA WEEKLY REVIEW MAY BE FOUND IN THE "INTERNATIONAL INDEX TO PERIODICALS." COPIES OF WHICH ARE ON FILE IN MOST STANDARD LIBRARIES.

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IS EXTERRITORIALITY TO BE NEXT ON THE SCHEDULE?

THE *Japan Advertiser*, American paper in Tokyo, published an interview on May 29 with Koki Hirota, Minister of Foreign Affairs, to the effect that Japan is ready to give up her exterritorial privileges in China. The report stated that Japan would be willing to take this action in the event the National government is sincere in its desire to improve relations with Japan. It was stated that the surrender of exterritoriality is included in the instructions which Ambassador Akira Ariyoshi brought back with him, the object being to take advantage of the "current favorable sentiment toward Japan which now prevails among Nanking officialdom." In another connection, Ambassador Ariyoshi expressed the view that recent developments in North China "would not be permitted to interfere with the friendship existing between the two countries which was created by the mutual decision to elevate the legations to embassies." Friendship between the two nations, according to the Hirota interview, is to be promoted along the following lines:

1. Japan hopes that the Nanking Government will be rigorous in controlling the anti-Japanese movement in general and the boycott against Japanese goods in particular.
2. Better connections between the two countries by radio telephone, telegraph and air lines are desired.
3. The cultivation of cotton in Shantung, Kiangsi and Honan will be encouraged in order to rehabilitate these provinces.
4. Reduction of the Chinese tariff rates, which are hampering Sino-Japanese trade, is desired.

The element of cotton appears to occupy a prominent place in Japan's future plans for "economic cooperation" with China for the *Tokyo Asahi* reported, also on May 29, that Japan is prepared to purchase large quantities of this product in Honan, Shantung and Kiangsi and that Japan also is ready to supply a large number of technical experts to help the Chinese farmers improve the quality of the cotton so that it would be more suitable for the Osaka mills. A *Rengo* report, also dealing with the element of "cotton-cooperation," quoted a leading Japanese cottonmill owner as recommending that China should remain an agricultural country, devoting herself to the production of raw materials, while Japan would

take over the matter of supplying China with manufactured goods.

In further reference to the matter of relinquishing exterritoriality a report from Changchun, capital of Manchukuo, on June 15 stated that the abolition of consular jurisdiction in the puppet state probably would become effective following the promulgation of a new law dealing with the organization of fifteen new courts, all of which will be staffed with Japanese judges. The new law closely follows court and police procedure in Japan.

America Awaits Britain's Move—Both Hope Russia Will Undertake the Job!

According to a report from Nanking on Thursday morning, June 13, the Central Political Council, following an allday session, refused to sign a "written-pledge" (具結) agreeing to the Japanese demands in North China and elsewhere. In the meantime Gen. Ho Ying-chin has departed from Peiping and Premier Wang Ching-wei has departed for Szechuen to interview Gen. Chiang Kai-shek.

IT would be difficult to imagine anything more stupid than the reports dealing with American policy which were telegraphed to the Shanghai newspapers during the week by *Reuters* and *United Press*. Both were telegraped on the same day, June 9, hence must have been based on some statement of an official of the Department of State. According to *United Press*, the State Department had reiterated its "hands off" policy and was basing its views on the North China situation in accordance with the following five points:

1.—The lack of clarity as to just how much power the Chinese have actually abandoned.

2.—The futile experience the Government had in protesting against the Japanese occupation of Manchuria.

3.—The view that some other Government should take the initiative, if any is taken.

4.—The growing tendency to allow China and Japan to solve their own problems.

5.—American interests are not sufficently affected to warrant employing force which would be necessary in order to change the Japanese programme in north China.

Then *Reuters* came along, curiously dating its dispatch at New York, instead of Washington, and stating that Cordell Hull, Secretary of State, was basing his policy on the following *four* points:

1.—Close co-operation with Great Britain, the composition of whose reshuffled Cabinet has encouraged hopes of a course harmonious with that of the United States in the Far East.

2.—Abstention of any action tending to irritate Japan while the chance of a direct solution between China and Japan remains.

3.—Determination to avoid precipitancy in any event.

4.—Firm continuance of the policy of the non-recognition of "Manchukuo."

According to the *United Press* the officials of the State Department had "relaxed" as a result of reports from the North indicating that open hostilities would not involve the United States. The *Reuter* report said that Cordell Hull was watching the situation closely and quoted the New York *Herald-Tribune* as stating that Japan's fresh drive into North China constituted a "real worry" to officials of the Department of State. On the following day the *United Press* carried a further report, this time from Chester, Pennsylvania where Secretary Hull apparently was delivering a college graduation address. But this didn't help the situation much because Mr. Hull only referred to "some nations" which were glorifying military power and in some instances he even had heard of cases where the warlords had assumed "actual direction of a nation's foreign policy." Was the Secretary of State referring to Japan? Or Germany? Presumably Japan, or possibly both; but there was nothing in this report or the ones on the preceding day that could be regarded as reassuring. When the present Roosevelt Administration came into power there was much criticism of the so-called Stimson policy of "needlessly" stirring up Japan when there was no apparent intention of doing anything more than dispatch notes. But Mr. Stimson did call a spade by its rightful name and he did it so effectively that the so-called Stimson Doctrine was accepted by the whole world, and still stands in the minds of intelligent men everywhere as the correct line of reasoning with respect to Japanese activities. It is quite correct that nothing further had been done about it, but President Roosevelt has indicated what he intends to do about the menace of Japan by concentrating the fleet in the Pacific and taking all possible steps to bring America's fighting forces up to full strength as quickly as possible. Reports about the recently concluded naval maneuvers in the Central Pacific which have appeared in the newspapers in recent days indicate that the United States apparently is making preparations as rapidly as possible to transform naval play into realities. Therefore one would think it would be possible for supposedly intellingent newspapers correspondents in the American capital to find someone in authority who could express the real views of the government in more effective manner than has been the case in recent days. Particularly exasperating have been the reports that Washington was "hoping" to obtain the cooperation of Great Britain in making representations to Japan on the North China issue, because reports from London have followed a similar line of "hoping" that America would cooperate in doing something about the situation. As a matter of fact both nations have secretly been hoping that the Soviet Union would be compelled to undertake the job; hence the deadlock all around while the Japanese continue their mad course uninterrupted. It is perfectly obvious that so long as the present crisis prevails in Europe with Germany secretly cooperating with Japan, Mussolini's hysterics in the Mediterranean, that Britain will be able to do little or nothing in the Far East. The job therefore devolves

upon the United States and the sooner Americans realize in the better. To talk of America's "interests" not being menaced was almost as silly as were the reports from Nanking telling of Sino-Japanese "friendship" while the Japanese were grabbing another Chinese province.

If the British Tories will not cooperate with the United States, even to the extent of promising not to help Japan, then there is only one other thing to do: grant the Russians sufficient credits so they can look after the Manchurian-Siberian border and then get ready for war in the Pacific!

Much more to the point was the recent statement of Dr. Jacob Gould Schurman, former American Minister to China and later Ambassador to Germany who declared flatly that the Asiatic policy of Japan "is a menace to the peace of the world," and that Japan's present activities "cannot be formulated in any terms which do not involve a challenge to other nations . . . it's a conflict with fundamental principles and established international practice; it dictates to the nations what they may do and what they must forbear doing, and it curtails the rights and wipes out the property of other government and their citizens." Dr. Schurman spoke with a knowledge of what is going on for he recently spent considerable time in China investigating the situation at first hand. Referring to the Tokyo Foreign Office statement of April last year, Dr. Schurman said that it amounted to a declaration that China is Japan's "exclusive preserve," and that other powers must keep their hands off China. Japan's claim that this policy was an "Asiatic Monroe Dectrine," was labeled by Dr. Schurman as a "question-begging designation, an utter misrepresentation and a shameless falsification of our Monroe Doctrine . . . . . There is absolutely no resemblance between the two and Japanese policy is a cynical travesty and a Machiavellian perversion, of the Doctrine of President Monroe." In concluding his address, Dr. Schurman declared, "Whether the great powers of the West will surrender their special rights and privileges in relation to the Chinese Government is not merely a question of amour propre, or of national dignity and favored status. No, their partnership in the government of China has also a material value. It facilitates, and may even augment their trade and commerce. Commercial interest was also the special object of the treaties providing for the Open Door in China. They guaranteed equality of opportunity for all nations trading in China. Now the spokesman of the Japanese Foreign Office declares that Japan will limit and restrict the trade of foreign nations. Even when Japan promised to maintain the Open Door as she promised to maintain it in Manchuria, she found means, as I sadly recall from my experience as Minister to China, of nullifying her promises. She knew how to preserve legality and yet made the Open Door in practice an absolute fiction. Judge from that what would happen to the trade of foreign nations in China if Japan got control of that country and at the same time was unhampered by any promises respecting the Open Door . . . . Most wars in the history of mankind have been waged on account of trade interests. Is it likely that in the fierce trade competition of our industrial era the great trading nations of Europe and America will permit Japan without a struggle to close to them the greaterest potential market in the entire world, a market of 450,000,000 people." Mr. Schurman defended the holding of the present naval manoeuvres in the Pacific, pointing out that they had been held in past years in the Atlantic and Caribbean and that "the time had now arrived to give our navy similar experience in the waters of the Pacific." "Surely it is a wise policy, if we maintain a navy to defend us, to give that navy experience and training in all the seas and oceans in which we are exposed to the possible attack of an enemy," he said. "Furthermore, if we maintain a navy to defend us, is it not an imperative dictate of common sense that we should leave to our experts in naval warfare the determination of the best methods of training the fleet and bringing it to a maximum of defensive efficiency? "I am told in reply that war is wicked and that America should disarm. But the patent fact is that no one of the Great Powers can begin to scrap its navy or disband its army or smash and burn its airplanes unless all other great powers will simultaneously do the same thing. America, however idealistic, cannot defy ordinary prudence by weakening its defenses while other nations strengthen theirs."

A "happy" Sino-Japanese gathering in Shanghai, although the Japanese seem to be the only ones who are smiling. The occasion was a reception given by the Japanese in honor of Tadao Matsumoto, special representative of Koki Hirota, Tokyo Foreign Minister, who is making a tour of China checking up on anti-Japanese sentiment. Those in the front row, left to right, are: I. Ishii, Japanese Consul-General; Tu Yu-sen, Chinese financier and newspaper owner; Mr. Matsumoto, Yu Ya-ching, Chinese ship owner; Hsu Singloh, Chinese banker. Standing between Mr. Matsumoto and Yu Ya-ching, in the second row, is T. Funatsu, head of the Japanese cottonmill owners's association, powerful organization which dominates the cotton situation in China.

WILL CHINA FINALLY FIGHT AT THE LAST DITCH?

THERE are two widely held theories, one that the Chinese do not possess the moral and physical courage of Occidentals, and the other that the Chinese will not fight until they are pushed into a corner and then they will fight like the very devil. The battle which the Chinese put up at Shanghai early in 1932 and the similar heroic struggle which the Chinese troops put up against the Japanese in the vicinity of the Great Wall a few months later proved that the Chinese soldiers will fight when they have a clear issue and are led by honest officers.

China is face to face with the fundamental issue of her continued existence as an independent nation. Will the Chinese fight for their birthright, or will they sign their own death warrant and hand over the land of their ancestors and future generations to the little islanders on a silver platter and without a struggle? The question must be answered, because as the situation stands today, Japan has taken another bite out of North China that comes near reaching the heart of the nation. If the National government agrees to this outrage, it might as well wire its ministers and consuls to come home and permit Japan to take over the direction of Chinese affairs. The policy of non-resistence is becoming somewhat frayed, particularly when a Japanese military officier of the rather low rank of "major" is able to "cuss-out" the commander-in-chief of the Chinese military establishment and get away with it. One wonders what Wang Ching-wei, life-long revolutionist and fighter for the rights and liberties of the Chinese people thinks about the present situation. Thus far he has had nothing to say and also, curiously, his name has never appeared in any of the Japanese dispatches damning Chinese leaders for non-compliance with Japan's wishes.

A member of the American Economic mission, now traveling in China, stated that he had been profoundly moved by the sincere appeals for help which he, and other members of the mission, had received since arrival in this country. "We want to help China and would help China, but what can we or anybody else do if a nation of 450,000,000 people permits another nation of 70,000,000 to walk over them?

Heretofore, when China was on the point of national extinction, there always was a reaction somewhere. The Boxers stopped the Manchus from selling the country and the revolutionists prevented Yuan Shih-kai from repeating the process. In 1917 the outraged students blocked the Anfu sell-out to Japan. In 1927 the Nationalist movement swept the country but became hopelessly bogged down in the squabble over imported Russian communism and Japanese-European intrigue. As a result of this wasting of national resources of men and materials in senseless domestic conflict the nation has been relegated to a status not greatly differing from that which existed when the foreign powers held Peiping and Tientsin following the abortive Boxer uprising. Actually the situation is worse today because in 1900 the rivalries of the powers protected China.

We do not believe that China will go down this time without a determined struggle. Gen. Chiang Kai-shek has been working for several years in building up an efficient modern-trained army and air-force. We do not believe that he intends to permit the Japanese warlords to take it over without a struggle. Likewise we do not believe that the development which has taken place in China in the past third of a century can be wiped out by a gang of Japanese military bullies who are trying to make the Chinese people pay for their misrule of their own country. The day is rapidly drawing nearer when the United States, either alone, or in cooperation with others, will settle the Japanese issue, but that will not help China unless the Chinese people demonstrate their right to control their own country by a determined effort to defend it. China wants help from the oustide. The only way she can get it is to fight determinedly and desperately for her own right. That will bring help quickly and that in turn will lead to China,s salvation.

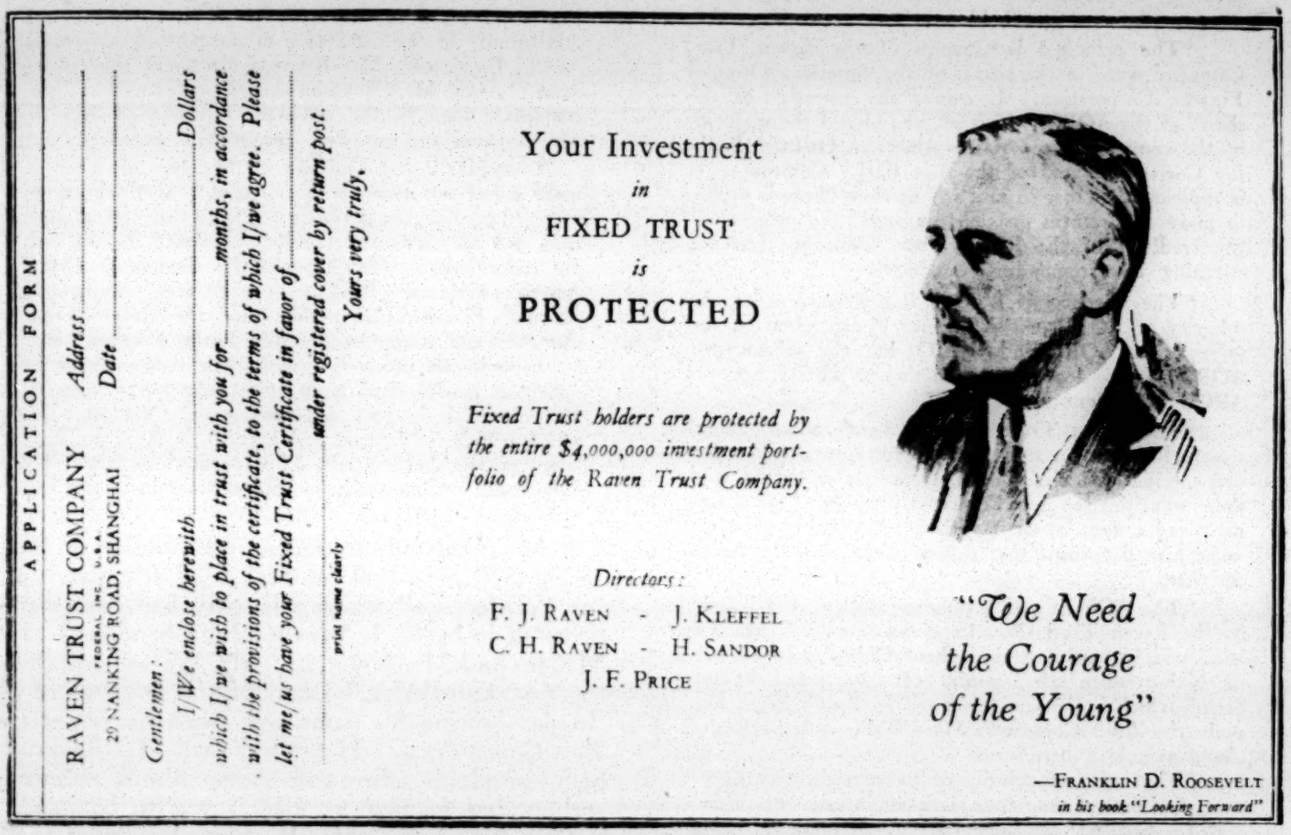
Rev. Boynton's Circular---Missionary Interest in Collapse of Raven Enterprises

FRANK J. Raven's American-Oriental Banking Corporation, which closed its doors on May 24 and is now in process of liquidation had always been known in Shanghai as the "missionary" bank. This apparently was due to the fact that the bank catered to missionary patronage and the further fact that the missionary group in the community usually was represented on the bank's directorate. The fact that Mr. Raven also was deeply interested in religious activities and was a regular church attendant also contributed to this impression in this international community, which, although the headquarters of Protestant and Catholic missionary activity in China, has nevertheless, not been noted for its adherence to Christian or any other type of religious principles in its relations with China or its domestic administration.

The collapse of the American-Oriental bank and other so-called Raven interests centered within the International Settlement probably constituted the worst blow which American Protestant missions have suffered in China since the Russian-inspired communists tried to drive the missionaries out of Asia in 1927 and the Japanese occupation of Manchuria in 1931 which has resulted in the almost complete elimination of occidental missionary and Y.M.C.A. activities in territories controlled by the Imperial Japanese army. Not only have missionary organization suffered potential losses on trust and invest-

ed funds ranging from $3,500,000 to $5,000,000, but thousands of missionary individuals scattered over the interior of the country have their retirement, home-vacation and educational funds as will as their private funds locked up in the stocks and bonds of these enterprises. Mr. Raven was a skillful advertiser, but before going into that phase of the subject it would be well to explain briefly the set-up of the Raven realty-financial structure, which resembled the letter "Y" with the Raven Trust company occupying the base of the edifice. Next above the base was the American-Oriental tion and the Asia Realty company,—a total of some $70,000,000 in assets. . . ."

According to a report in *The Shanghai Times* on June 12 one of the major casualties of the Raven bankruptsy was the American Episcopal mission which has approximately $700,000 tied up in the stocks and bonds of the defunct companies. Dr. A. W. Tucker, medical director of St. Luke's hospital, controlled by this mission, stated that plans practically had been completed for the erection of a new hospital here which had been in contemplation for many years. The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—FRANKLIN D. ROOSEVELT
in his book "Looking Forward"

The memorandum issued by the Rev. Charles L. Boynton dealing with the liquidation of the Raven enterprises, referred to in the accompanying article, touched on the "high-pressure" selling methods which were adopted by F. J. Raven in disposing of stocks and bonds in his various enterprises. Foreign missionaries and their Chinese associates scattered through the interior of the country were a chief objective of these selling campaigns which were accompanied by extensive advertising which took the form of circular letters, pamphlets and newspaper-magazine publicity. The above is an illusrtation of one of the Raven Trust's circulars encouraging investments in "Fixed-Trust" certificates. An important feature of the circular as shown in the illustration, was a picture of President Roosevelt and a quotation from one of his recent books. At the other end of the circular was a blank form for filling with the amount of money remitted.

Finance corporation which provided the stem or trunk of the tree with the American-Oriental bank occupying one branch and the Asia Realty company the other. Everything rested on the Raven Trust company, parent concern of the various enterprises which was organized in 1914, the year of the beginning of the world war. According to a highly eulogistic article about Mr. Raven and his activities which appeared in the deluxe American magazine *Fortune*, last January, Mr. Raven started his trust company with assets probably not greatly exceeding $4,000 Chinese currency. The way *Fortune* put it, "Starting with assets of $4,000 (Mex.) he had made enough by 1914 to found the Raven Trust company, on which he proceeded to super-impose what Shanghai calls 'the Raven interests'—chiefly the American-Oriental Finance corporation, American-Oriental Banking corporamoney had been raised by public subscription in the United States through the National Council of Episcopal churches and about half of the cost of the land, located at Changping and Hart roads in the International Settlement, had been paid over. The remainder of the money, amounting to about $700,000 had been temporarily invested in paper of the Raven enterprises.

According to a circular issued last week by the Rev. C. L. Boynton of the National Christian Council which was addressed to missionary investors the relations of the four chief Raven enterprises were as follows:

> "The Raven Trust Company is the parent company and its common (voting) shares are largely held by Mr. F. J. Raven and his relatives. This company has marketed preferred shares in U. S. currency which are quite widely held in China. They carry no voting

power, and their owners are part *owners* of the Company upon whom the burden of losses of the company fell. Dividends upon them are at a fixed rate and must be paid in full before any dividends can be paid to common stockholders. The original investors in these 7% shares have already secured in dividends a total amount in excess of their investments.

"To obtain additional funds for investment the Company issued Fixed Scrip Certificates in sums of $100 or above at rates of interest varying with the term of the investment (from 3 months up). Owners of these are *creditors* (not owners) of the Company and their claims must be satisfied in full before any payments of dividends may be made to the owners (common or preferred stockholders).

"The principal investments of the Raven Trust Company were in the shares of the American Oriental Finance Corporation. It owned the majority of the shares of the AOFC, which in turn owned the majority of the common shares of the American Oriental Banking Corporation and of the Asia Realty Company. It is apparent thus that in case any of these three is unable to make any returns on common stock, the prospect of the creditors of the Raven Trust Company receiving anything is correspondingly reduced.

"The solvency of RTC is thus dependent on the solvency of AOFC, which in turn is dependent on the solvency of AOBC and ARCO, but the solvency of AOBC was not dependent upon that of ARCO, nor was ARCO dependent upon AOBC."

"The Raven Trust Company held various 'living' trusts which are not affected by recent events, as in every case specific securities are lodged against each trust, and these securities are not the property of the Trust Company and cannot be dealt with by the liquidator except as he may determine that a new trustee must be found for them."

"The AOFC's voting common stock ("A") is held by the Raven Trust Co. Its non-voting "B" stock has been widely marketed throughout China under a type of high-pressure salesmanship. It also issued "Fixed Scrip" which is the equivalent of the Bank's Fixed Deposit, the Trust Company's Fixed Trust and the Realty Company's loan certificates.

"The order of priority of payment in each Company therefore of their four classes of investors would be:

1.—Secured creditors (debenture holders, living trusts, etc.).

2.—Depositors—current, savings and term (fixed).

3.—Preferred shareholders.

4.—Common shareholders, whether voting or non-voting.

Mr. Boynton's object in issuing the circular was to acquaint members of the missionary community with the fundamentals of the situation and allay anxiety which prevails with respect to the possibility of obtaining reimbursement for depositors and investors in the various enterprises. Reports which appeared in the Shanghai foreign newspapers following the closing of the companies creating the impression that depositors would be able to obtain reimbursement in full probably had the effect of creating a false sense of security which, in all probability, will not be borne out in the final unscrambling process. However, it is as yet too early to make any forecasts on that phase of the debacle, pending the issuance of an official report by the Liquidator. The circular issued by Mr. Boynton had one unfortunate effect in that the heading implied that it had been "Prepared after conference with Messrs. F. J. Raven, H. Sandor, T. F. McCrea, Felthan Watson and George Sellett." Both Dr. Sellett, former U. S. District Attorney and Mr. Watson, present incumbent of that office, denied they had attended a "conference" with the other parties mentioned, prior to the issuance of the circular. In this connection Dr. Sellett said.

"I am not sufficiently informed at this early date to agree or disagree with Mr. Boynton's statement in its entirety. I did not participate in any conference which Mr. Boynton may have held with the other persons mentioned in the circular. On the morning of June 8, Mr. Boynton saw me in the lobby of the American-Oriental Banking Corporation's premises and handed me a type-written statement of three or four pages and asked me to read it. The statement was substantially in the form of a mimeographed statement, which, I am told, Mr. Boynton circulated that afternoon. After Mr. Boynton and I exchanged a few comments upon it, the statement was handed back to Mr. Boynton and our short conversation ended.

"I consider it was a mistake for Mr. Boynton later to make use of my name in the circular in such way as to make it possible for a reader to infer that the alleged facts and the views and opinions expressed therein had my indorsement. Mr. Hough, the liquidator of the American-Oriental Banking Corporation, American-Oriental Finance Corporation, and the Raven Trust Company and trustee of the Asia Realty Company and his assistants are proceeding with their work as expeditiously as possible and I am quite sure that as soon as Mr. Hough is in possession of facts, the disclosure of which will be of interest and helpful to the depositors, investers, shareholders and other parties concerned, he will choose an appropriate means to disseminate this information."

Mr. Watson's statement was similar to that of Dr. Sellett in that he disclaimed attendance at any "conference" which allegedly had been participated in by F. J. Raven, Hugo Sandor, T. F. McCrea and Mr. Boynton. Mr. Watson said that the first knowledge he had of the issuance of a circular bearing his name was when he saw it in *The China Press*. He stated that Mr. Boynton had visited his office and shown him a memorandum, but he had no idea it was to be issued bearing his name. Mr. Watson also stated that the reference to methods of liquidation referred to in Mr. Boynton's circular were out of date because of numerous new rulings on bankruptsy proceedings which have been adopted in the present Roosevelt administration.

Since Dr. Sellett is counsel for the official liquidator and Mr. Watson, the present U. S. District Attorney, may be concerned with future legal phases of the case, their statements attracted considerable attention. A complete summary of developments which have taken place since the closing of the Raven enterprises appeared in *The Review* on June 1 and 8 with a further review of the latest developments elsewhere in this issue; hence it is unnecessary to repeat the details here. It is of interest, however, to refer further to the circular which Mr. Boynton issued on behalf of the missionary clientele of the Raven bank on June 8, and which apparently was based on information obtained largely from Mr. Raven and his associates in the defunct enterprises. Among other things the circular contained the following statements:

"1—Mr. Raven states that he has no financial interests outside his own companies, withdrew no money whatever from the Bank in anticipation of its

closing, and has set aside no funds or property in the names of his wife or children to secure their financial independence, and all he has is at stake in the liquidation of these interests. He is very deeply distressed by the disaster brought upon those who have entrusted money to these institutions and particularly upon those of his closest friends and associates whose investments are in those forms which will yield least in the present liquidation.

"2—The Asia Realty Company made sacrificial efforts to assist in salvaging the bank and forestalling liquidation, but the money market was so tight that the efforts were unavailing. It is hoped that the Trusteeship under the provisions of the recent Recovery legislation may relieve the pressure upon the Company. In the present state of the investor's mind, there is a tendency to cash all loan certificates upon maturity, whereas normally three-fourths would be renewed. If this tendency continues the Company would be forced into liquidation to the detriment of stockholders, whereas under a trustee some type of 'moratorium' is possible which might enable the Company to carry on successfully and salvage all assets.

"3—It is neither necessary nor desirable for missionary investors or depositors in these institutions to seek legal assistance, and would only involve them in superfluous expense. It may be well, however, to send securities and to give powers-of-attorney to local missionary representatives to act for out-of-town creditors in order to expedite settlement. Detailed advice will be sent on this point later. The liquidator has full power and his course is rather minutely prescribed by law and he will protect the intterests of creditors and debtors alike.

"4—No funds will be paid out till the accountants make their report on the affairs of the three institutions involved, and they will be paid thereafter as rapidly as funds become available in the order of legal priority.

The complicated, inter-locking nature of the various Raven enterprises has naturally made the liquidation proceedings a most difficult enterprise. This was the primary cause of the delay on the part of the U. S. Court in the appointment of a Liquidator. For this reason Judge Milton J. Helmick of the U. S. Court deserves the thanks of the community for refusing to be stampeded into percipitate action. It is understood that considerable pressure was exerted in certain quarters for the appointment of liquidators who were suspected of being directly or indirectly concerned in such manner as not to assure an efficient, thorough and equitable adjustment. It therefore was necessary to exercise extreme caution in the appointment of officials who were to be vested with the heavy responsibility of making final adjustments that would be equitable from the standpoint of all interests concerned. A further element involved in the appointment of liquidation officials was that of economy because in altogether too many instances in liquidation proceedings in the United States there was nothing left after the expenses of the liquidation had been defrayed. It is understood that steps have been taken to prevent such development here in order that the victims of the disaster may have their interests conserved to the greatest possible extent.

Since the Raven bankruptcy had the effect of precipitating runs on other Shanghai banks and financial institutions, including a number of Chinese banks, it became necessary for the Chinese authorities to adopt stringent regulations governing the liquidation of banks under their jurisdiction. These regulations, announced by Dr. H. H. Kung, Finance Minister, shortly following the closing of the Raven bank, were to the following effect:

1. In case of suspension of business by any modern-style Chinese bank or native bank, the Ministry of Finance will appoint a special agent to take charge in co-ordination with the Chinese Bankers' Association or the Native Bankers Guild, of the liquidation. For those banks which have been ordered to liquidate by court, the Ministry of Finance will also have to appoint a special agent to investigate and report to the ministry as the liquidation of the banks proceeds.

2. Liquidation must be completed within a period of three months dating from the day of suspension of business, or the day of the proclamation of these regulations for those banks which have closed doors.

3. During the period of liquidation, managers, directors or auditors of the banks concerned will be placed under surveillance pending punishment by law if any misappropriation or fraud on their part is discovered.

4. In case that the assets at their assessed value are not sufficient to meet the debts, banks established on the basis of limited shares should, according to law, petition to be proclaimed bankrupt, while other banks or those that carry on savings business should impose unlimited responsibility on their managers, directors, auditors and shareholders for the settlement of their obligations.

5. During the period of liquidation, managers, directors, auditors and shareholders assuming unlimited responsibility will not be allowed to leave their place of residence. If any attempt to escape or to destroy or transform the property of the bank under liquidation on their part is discovered, they will be placed under surveillance. The special agent appointed by the Ministry of Finance may petition that a warrant for the arrest of those who have fled be issued.

6. The special agent of the Ministry of Finance to handle the liquidation of banks should observe provisional rules and regulations governinng settlement of debts among merchants.

The set of six regulations governing liquidation of banks was embodied in an order issued to the Chinese Bankers' Association and the Native Bankers' Guild by the Ministry of Finance. The order urged Chinese banks to exercise care and to refrain from risky operations with a view to safe-guarding their own credit as well at the interests of the public.

In addition to these regulations the *Shun Pao* published a report on June 11 stating that the National Government intended to open negotiations shortly with the various foreign nations with the object of reaching an agreement whereby all foreign financial organs operating in China would be compelled to comply with Chinese laws pertaining to the opening and operation of banks. The statement in the Chinese paper said that most of the customers of foreign banks are Chinese, hence in order to protect their interests it was necessary to exercise stricter control over foreign banks. It was argued that such measures also would have the effect of creating more confidence in foreign banks, most of which, as the situation stands today, are not subject to inspection by the home banking examiners of their respective countries. The *Shun Pao* report said that a recent survey of the Ministry of Finance had disclosed the existence of 54 foreign banks operating in Shanghai, Tientsin, Peiping, Canton, Swatow, Tankow, Kwen-

ming and Tsingtao. Of these 54 foreign-registered banks, some 24 had been opened by Europeans, the remainder, presumably, by Chinese who allegedly were using foreign registration in order to avoid compliance with Chinese regulations.

In further reference to the Raven failure, an element which is certain to receive consideration in the final wind-up of the various enterprises is the matter of the advertising practices of the various enterprises. In this connection the Raven enterprises maintained their own advertising agency which turned out a flood of skillfully prepared publicity in the form of booklets, form letters and newspaper-magazine copy of a type not usually associated with sound investment institutions in that claims were made which, as recent developments have shown, could not have been based upon sound conditions.

American Oriental Bank Liquidator Concentrates on Securing Cash Funds

JUDGE Helmick of the U. S. Court for China, in making the order appointing Frank L. Hough trustee for the Asia Realty Co. June 6 (in addition to the duties as liquidator of the other Raven interests), expressed the following opinion:

"The Court does not believe it advisable to appoint a different person Trustee of the Asia Realty Company pending the presentation of a plan for reorganization, because the duties of of a trustee are more or less nominal. If a feasible plan is persented there will be no necessity for a Trustee, but if no feasible plan can be evolved the company will have to be liquidated. Since the affairs of the Asia Realty Company are involved with the other companies it seems better to have Mr. Hough serve, at least temporarily, as Trustee until it can be determined whether the company can be reorganized. Whether the company will continue to operate as a going concern is left to the discretion of the Trustee."

The order appointing the trustee remarked that "said trustee shall be appointed to take possession of, and vested with the title to, the property of the debtor's estate" and said that he shall "in his discretion operate the business of the debtor in the same manner and to the same extent as the debtor's business has been heretofore conducted and operated by the officers and directors of the debtor."

Judge Helmick also filed an order approving the filing of a petition for relief of the Asia Realty as a debtor as provided under section 77B of the Bankruptcy Act, (new "New Deal" legislation) which provides for keeping a company as a going concern under reorganization, and framed to protect companies from being closed down by a minority of importunate creditors.

Frank L. Hough, liquidator for the defunct Raven companies, was expected to make public the first balance sheet of the American-Oriental Banking Corporation's assets and liabilities, June 14. Mr. Hough announced that the balance sheet, which had been completed by Henry De Vault and his staff of auditors, would be presented in "layman's language," so that even those unacquainted with banking terms would be able to get a clear picture of the bank's standing on the closing date. Mr. Hough also pointed out that there will be an immediate investigation of each item on the balance sheet, to discover if there are any discrepancies.

The liquidator has been devoting his entire time to the Raven interests ever since his appointment. On Saturday, he began a preliminary study of the Asia Realty Company, which he intimated might not be liquidated. For the present, he is concentrating all efforts on collecting loans made by the bank, in order that there may be some cash on hand. His work had necessitated his going into the linen, embroidery, shoe, and automobile business on a strictly cash basis. Local concerns who borrowed money and offered the above articles as collateral will have to pay cash before their shipments will be released, he announced.

Hongkong Branch of A. O. F. C. to Be Wound Up

Official information from Hongkong is to the effect that a petition for winding up the American-Oriental Finance Company branch in that city has been filed with the Supreme Court of Hongkong. The petition has been directed to be heard before the court sitting at the Courts of Justice on the morning of July 2.

St. Luke's Hospital a Prominent Victim of Raven Collapse

Details were given during the week by Dr. A. W. Tucker, Medical Director of St. Luke's Hospital, of how the almost-completd plans for the construction of a new hospital at the corner of Hart and Changping Roads, have been indefinitely postponed and might be completely wrecked, since practically the entire funds collected for the project are tied up in the bankrupt Raven concerns. The project was to be carried out under the auspices of the National Council of Episcopal Churches of America. The site, consisting of 11 mow, was purchased for $360,000, and the building that was to have been erected was to have cost approximately $750,000. Only half of the purchase price of the land had been paid when the Raven companies closed their doors. By far the greater proportion of the Hospital's $700,000 is tied up in the Asia Realty Company, which is to be reorganized under Section 77-B of the American Bankruptcy Act, if found feasible. But the affairs of the Asia Realty Company are inextricably involved with the other three Raven firms, which are undergoing liquidation. Since this process of liquidation, and the contemplated reorganization of the Asia Realty Company, are likely to extend over a considerable period, those responsible for carrying out the new hospital project have been obliged to postpone indefinitely doing anything further in the matte.

American University Club Funds Tied Up

The American University Club issued a statement of accounts June 10 which showed a current account credit of $988.08, deposited in the defunct A. O. B. C. It was stated that Bruce M. Smith, the treasurer would be able to pay current bills from other sources (not the trust funds). The Club's trust fund of $4,000 is in the Chekiang Industrial Bank. The trustees in charge of the trust fund are Messrs. K. P. Chen, C. D. Culbertson and Arthur Bassett.

The Shanghai American school, largest institution of the kind outside the United States, is also a casualty of the bank closure, having on deposit, according to report, approximately $150,000. Much of this sum represented funds for an endowment which was raised in the United States and among American residents of China. F. J. Raven, head of the defunct enterprises was president of the school board and two other Raven directors also were on the school's directorate.

Nichols Carpets Co. Affected by Bank's Closing

William T. Collins, clerk of the U.S. Court for China, arrived back in Shanghai from Tientsin June 10. Together with him came Harry A. Luker, receiver of the Nichols Super Yarn and Carpets, Fed. Inc. U.S.A. of Tientsin, and A. R. Morrison, his attorney. This company has been operating under reorganization through Section 77-B of the Bankruptcy Act, ("New Deal" legislation designed to keep firms in business where financial distress might otherwise close them through importunities of creditors), when the A. O. Bank, which had lent large sums and is believed to have provided the current working capital, was closed.

"Associated Advertisers" to Liquidate

The Associoted Advertisers, an advertising agency which had the support of the Raven interests, with offices at 50 Nanking Road, Shanghai, is not soliciting any new business and will shortly close its offices. Jesse Thompson has had charge of the office. It is stated that the Raven financial institutions had spent large sums in promoting this advertising agency.

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Shanghai Community Church Had Funds in Raven Institutions

The Shanghai Community Church has issued its annual report for 1934 in brochure form. Included with it is the balance sheet. Among the items are an overdraft from the Hongkong & Shanghai Bank of $19,635.36 (used for the purchase of a three-manual Austin Organ); and cash (margin against letter of credit) in the American Orental Bank, $1,010.45. Under Investments appears an item "Raven Trust Co., fixed deposit, $1,010.45."

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Tu Yueh-sen Heads Commercial Bank of China

Tu Yueh-sen, president of the Chung Wai Bank, and Ku Yi-ku, who have been appointed as chairman of the board of directors and general manager of the Commercial Bank of China respectively, formally assumed their new duties at the Commercial Bank, end of last week.

Completing its plan to control all banking institutions, the Nanking Government has extended its power to the China Industrial Bank and the Shih Min Bank, in addition to the Central

Bank of China, the Bank of China and the Bank of Communications.

Ming Hwa Bank Tsingtao Branch Liquidation Committee Makes Report

An investigation of the circumstances leading to the suspension of the Tsingtao branch of the Ming Hwa Bank has been completed by the Liquidation Committee, which has requested that an order be issued by the Ministry of Finance instructing the Bank to withdraw from the Shanghai Head office all the Treasury Notes which the Savings Department of the Tsingtao branch had illegally deposited there.

The Ministry of Finance has ordered the Ming Hwa Commercial and Saving Bank to pay back savings deposits within a month.

Four Banks Close in Yangchow

More than half of the shops and banks in Yangchow (Kiangsu province) have suspended business because of the extremely poor business conditions. On June 6 four more native banks—Yi Shen, Huiyungchong, Huiyu and Tachan closed their doors with total liabilities of more than $1,000,000.

Ta Chung Bank Run in Tientsin

A run occurred on the Ta Chung Bank, in Tientsin June 5, "Dragon Boat Festival" settlement day.

The Kuo Tai Bank and Ta Hu (Great Shanghai) Commercial and Savings Bank closed their doors in Shanghai, June 3.

The Shanghai *Mainichi* June 4 stated that the Tung Yuen Bank and the World Commercial Bank are extremely unstable.

In the interests of small depositors, the Ministry of Finance issued an order June 6 to the Kiangnan Bank in Shanghai, which suspended last week, requiring that all saving deposits be completely refunded within one month from date of receipt of the order.

Finance Ministry Issues Orders on Bank Liquidations

The protect the interests of creditors and depositors, the Ministry of Finance has issued orders to the Shanghai Bankers Association and the Shanghai Native Bankers' Association announcing the enforcement of a set of regulations designed to supervise the liquidation of banks and native banks which were forced to suspend business. After warning the bankers against speculative business, the Ministry revealed the regulations as follows:

1. Except for banks ordered to be liquidated by a law court, all banks and native banks which suspend business should be liquidated by special officers to be appointed by the Ministry with the cooperation of the guilds. Special officers also are to be sent to banks and native banks ordered liquidated by the court in order that the proceedings may be adequately reported to the Ministry.

2. The period of liquidation should not be more than three months from the day of closure. No extension will be granted unless sound grounds are given. For banks which closed doors before the promulgation and enforcement of these regulations, three months also will be given as from date of promulgation and enforcement of these regulations.

3. During the period of liquidation, the bank officers, when found to have committed unlawful acts, may be detailed and punished according to law.

4. When the assets fail to cover the liabilities, banks organized in form of limited companies must immediately apply for bankruptcy. In case of banks operating a savings department, other banks and native banks, the managers, directors, supervisors and shareholders shall be held jointly reponsible for the deficit.

5. During the period of liquidation, the managers, directors supervisors and shareholders, in case of unlimited companies, shall not leave their abode. Those who attempt to escape or harbor their properties may be detained. Warrants may be issued for the arrest of those who had already escaped.

6. When liquidating, the special officers of the Ministry may follow the regulations governing liquidation of debts of merchants.

Minister Kung Calls Financial Conference

A conference called by Dr. H. H. Kung, Minister of Finance at the Central Bank of China June 6 was attended by more than 20 leading bankers, including Dr. T. V. Soong, Messrs. Hsu Kan, T. L. Soong, Sung Han-chang, Hu Meng-chia, Tu Yueh-sen, Chen Kwong-pu, Hsi Teh-mou, and others. According to well-informed circles, concrete plans were outlined at the conference for the stabilization of finances. A number of persons have been appointed by the Ministry of Finance to investigate the conditions of the banks which failed in the past few weeks and to take charge of liquidating them.

Loan of $25,000,000 in Bonds Eases Financial Condition

The $25,000,000 bonds loaned to the various banks by the Ministry of Finance has eased the financial condition considerably. The City Government of Greater Shanghai has issued an order saying that no anxiety should be felt by the people over the financial condition in Shanghai as definite steps have been taken by the Government to stabilize the situation. Anyone who is found spreading rumors about the instability of any bank will be severely punished in accordance with the law.

T. L. Soong, General Manager of the China Development Finance Corporation and of the Manufacturers Bank of China, has been appointed by the Ministry of Finance as an additioanl member of the Committee for Commercial and Industrial Relief Loans to take charge of the allocation of the $20 million fund granted by the Government to assist industry and commerce in Shanghai.

Kansu Government Seeks $600,000 Loan

Chu Ching-yi, Commissioner of Finance of the Kansu Provincial Government, is in Nanking seeking a loan of $600,000 to make up the deficit of the Kansu. Mr. Chu, who arrived in Nanking from Hankow by air last week, called on Government authorities to make a report on the financial conditions of his province, and later came on to Shanghai.

Deficit in Shantung Provincial Budget

The Shantung Provincial budget compiled by the Finance Department for the fiscal year 1935-1936 shows a deficit of $1,000,000.

Shensi Revenue Falls Off

As the result of abolition of a number of miscellaneous and exhorbitant taxes, added to the protracted drought prevailing, the revenue receipts of 17 hsien in northern Shensi have decreased to a great extent during the last few months, resulting in a heavy deficit for the provincial treasury.

T. K. Yung's Properties to Be Taken Over by Bank of China

According to Japanese reports, all the properties of T. K. Yung, which include more than ten cotton mills, will be taken over by the Bank of China.

With the approach of the "Dragon Boat Festival", more than 100 shops closed their doors in Tientsin last week. Thousands of workers were thrown out of work.

Bankruptcy Law Interests Foreign Firms

Great interest is evinced in foreign commercial circles over the bankruptcy law which is in course of drafting by the Legislative Yuan. Several foreign commercial organizations in Shanghai are stated to be seeking permission of the Chinese Government through M. Padoux, Advisor to the Legislative Yuan, to air their views concerning the matter.

Ministry of Finance to Control Paper for Printing Banknotes

An order of the Ministry of Finance to the Shanghai Bankers' Association, June 7 stated that in order to put a stop to counterfeiting, henceforth all paper used for the printing of banknotes must be imported and purchased through the Trust Department of the Central Bank of China.

Hangchow Seeks to Relieve Depression

Leading businessmen of Hangchow attended an emergency meeting June 10 called by the Hangchow Municipal Government to devise measures for the relief of the present business depression, The meeting was called as result of the closure during the past few weeks of several large business firms having a long history in Hangchow.

100 Firms Forced to Close In Tsingtao

More than 100 commercial houses in Tsingtao municipality have been forced to close down owing to the crisis in the money market. In order to relieve the situation, the Tsingtao Municipal Government has despatched a telegram to the Ministry of Finance requesting that funds be appropriated for the extension of loans to those in distress on the same basis as in Shanghai.

Run on I.S.S. Is Met By Paying Out Over a Million Dollars

The International Savings Society, in which M. Speelman, Shanghai capitalist, is the leading spirit, successfully withstood a run on said institution during this and last week, during which over a million dollars was paid out to bondholders. The I.S.S. is stated to have made a substantial profit on all bonds turned in, as they were, naturally, cashed at a huge discount.

Government to Protect Chinese Savings in I. S. S.

Following rumors that the International Savings Society was to be taken over by the Chinese Government, a high financial authority in Nanking June 11 stated that the rumor is groundless. The I. S. S. is a French concern, he said, and the National Government does not contemplate taking it over. The Society originally received permission from the Ministry of Finance in Peking to operate its business, but this permission has been withdrawn after the passage of a law by the Legislative Yuan forbidding the combination of savings and lottery. The law will become effective on July 1 this year. Obviously all Chinese should refrain from having any dealings in future with Savings Societies of this nature. However, those who have already deposited their money with the I. S. S. before the law becomes effective, concluded the authority, should have no cause for alarm, since the Governemnt has devised adequate measures to safeguard their savings.

Japanese Conquest of North China and Mongolia Continues; Important Political Changes in South Pending

HIGH LIGHTS IN THE EVENTS OF THE WEEK:

1. **Nanking Said to Have Accepted All Japanese Demands.**
2. **Further Details of Japanase Demands Revealed.**
3. **Japan Demands Recognition of "Manchukuo" by China.**
4. **Japanese Officers to Watch "Faithful Execution of Japanese Demands."**
5. **Fresh Trouble in Chahar Pending, as Japan Picks New Quarrel.**
6. **More Japanese Troops and Two Warships Arrive in Tientsin.**
7. **Gen. Ho Ying-chin Resigns from Peiping Council Post.**
8. **Gen. Ho Ying-chin Orders Abolition of Secret Organizations.**
9. **Hayashi Finds Banditry Rife in Manchuria**
10. **Hopei Party Headquarters Suspend Functioning.**
11. **General Yu Hsueh-chung Transferred from Hopei to West China.**
12. **Anti-Foreign Groups Banned by Nanking Government Mandate.**
13. **Gen. Chiang Kai-shek Refuses to Meet Admiral Hyakutake.**
14. **Political Changes in South Pending With Departure of Hu Han-min Abroad.**

An official statement issued by the office of the Japanese Military Attache at Peiping at 8 p.m. June 10 stated that the Chinese authorities had conveyed through General Ho Ying-chin, Minister of War and concurrently Chairman of the Peiping Military Council, their acceptance of all the Japanese demands regarding North China.

The 3rd Regiment of Central Gendarmes, which left Peiping June 9, are reported to be heading for Shansi. The 51st Army of General Yu Hsueh-chung is also moving southward to Shensi.

General Kuan Lin-tseng, commander of the 25th Division of Central Government troops, which is one of the divisions destined to leave Hopei, announced to the military camp of senior and middle school students that the camp must close, as he had been transferred.

The Northeastern forces under General Wan Fu-lin are also destined to leave the province, thus completing the exodus of all Central Government as well as Northeastern forces.

Scenes of tremendous activity were witnessed in Peiping in the night of June 9 as the Third Regiment of Gendarmes, whose removal was recently demanded by the Japanese, made their exodus from the city.

The railway stations presented an appearance reminiscent of the days in 1928 when Marshal Chang Tso-lin's North-Easttern Army were evacuating. All platforms were packed with officers and men, their wives and children and their household belongings. Throughout the night trains sped noisily down the Peiping-Hankow railway.

FURTHER JAPANESE DEMANDS PRESENTED TO GEN. HO. YING-CHIN

Rengo reported that further Japanese demands presented to General Ho by Col. Sakai on June 9 consist of the following:

1. The abolition of the Peiping Political Readiustment Commission.
2. The abolition of the Peiping Branch Military Council.
3. The withdrawal of the 2nd and 25th Divisions of the Chinese National Army and all their subsidiary establishments from Hopei Province.
4. The removal of the 51st Army Corps, commanded by Gen. Yu Hsueh-chung from the province.
5. The abolition of all provincial and city tangus from Hopei Province.
6. Dissolution of the "Blue Shirts."

A two-week time limit is assertedly placed on the removal of the 2nd and 25th Divisions. The deadline for other requirements is said to vary from one to two weeks beginning June 9.

KWANTUNG ARMY WARNS CHINA ON "DOUBLE-FACE" POLICY

Unless China abandons her "double-faced diplomacy" and observes strictly the terms of the Tangku Peace Pact, the Kwantung Army will take "firm steps," the Army's spokesman informally indicated on June 6.

The Sino-Japanese relations in North China have been governed by the provisions of three treaties—the Tangku Pact, the Boxer Rebellion Protocol and the Agreement on the return of Tientsin to China—the spokesman said.

These three agreements, he continued, provided that:

1. All anti-foreign acts are to be punished by death.
2. Those officials who knowingly overlook such acts are to be immediately dismissed.
3. Armed Chinese forces are not to be allowed into an area within 20 li of foreign army barracks.
4. Chinese armed forces are not to be allowed to enter the Peiping—Shanhaikwan railway zone.

The Kwantung Army intends to see to it that the Chinese authorities violate none of these provisions, and is prepared to take all necessary steps to uphold these terms, the spokesman intimated.

CHINESE ACCEPTANCE OF JAPANESE DEMANDS SAID USELESS

Chinese acceptance of all Japanese demands on May 29 was held "useless" by a spokesman of the Kwantung Army if "it is only a temporary means of escape," *Rengo* reported June 9.

"We have no report on that yet," he said." But the essential part is that the Chinese authorities put into effect the requirements we have laid down. And even if they put them into effect, there is a vast difference between just a matter of form and something done with sincerity.

"What we demand is that executive, permanent measures be faithfully carried out at once," he added.

Demilitarization of Hopei and dissolution of all anti-Japanese organizations throughout China have been demanded in the Japanese ultimatum served on Gen. Ho Ying-chin, on June 7, according to a *Rengo* report. The report stated the Japanese military authorities were prepared to take "drastic and independent" action to achieve the settlement of the controversy, unless the Chinese "sincerely" carried out the Japanese demands "within a stipulated time limit."

SEVEN MORE JAPANESE DEMANDS REVEALED

Rengo reported on June 8 that in addition to the demands for the removal of the Hopei provincial capital from Tientsin to Paoting, the dismissal of Gen. Yu Hsueh-chung, and his withdrawal from North China, there are seven other demands which include:

1. Withdrawal of the Central Chinese Armies in North China south of the Yellow River.
2. Replacement by "competent officials" of Chang Ting-ao, Mayor of Tientsin, and Li Chun-jeng, Chief of the Tientsin Bureau of Public Safety.
3. Dismissal of Col. Chiang Hsiao-hsien, Commander of the 3rd battalion of the Chinese gendarmerie, and Tsen Kwang-ching, Chief of the Political Training Section of the Peiping Branch Military Council.
4. Closure of the provincial and city offices of the Kuomintang and of the Political Training Section of the the Military Council.

5. Wholesale dissolution of various anti-Japanese organizations in North China.

6. Arrest and severe punishment of the assassins of two Chinese editors, murdered in the Japanese concession in Tientsin, and the payment of compensation to their families.

7. Complete suppression of anti-Japanese education in Chinese schools, and destruction of Chinese books containing anti-Japanese or anti-Manchoukuo passages.

UMETSU EXPLAINS JAPAN'S FUNDAMENTAL POLICY

Japan's fundamental policy in North China is to put an end to the Chinese acts of anti-foreign terrorism. This statement was made June 7 at a press interview by Lieut.-Gen. Yoshijiro Umetsu, Commandant of the Japanese forces forces in North China, following a 3½hour Conference of high Japanese military officers in Tientsin.

The requirements presented to the Chinese in the Japanese representations were easy of fulfilment, if the Chinese authorities earnestly desired to carry them out, Lieut.-Gen. Umetsu said. He added that the Japanese realized that this would require time, and that intended to watch for evidences of China's sincerity.

Rengo learned that during the conference Lieut.-Gen. Umetsu, Col. Giga and Maj.-Gen. Isogai agreed that unless Gen. Chiang Kai-shek demonstrated his sincerity by personally taking up the settlement of the question, complications were bound to arise. They also agreed on the necessity of taking "positive action within the shortest possible time."

ISOGAI WANTS NEW GOVERNMENT IN CHINA TO COOPERATE WITH JAPAN

Establishment of a new government in China "capable of co-operating with Japan in maintaining the peace of the Far East" was held necessary by Maj.-Gen. Rensuke Isogai, Japanese military attache, *Rengo* reported June 7. The Japanese military forces, he added, were "fully prepared" to carry out this objective. In another critism of Gen. Chiang Kai-shek, Maj.-Gen. Isogai declared that the solution of the North China problems now rested with the Chinese military leader.

"We are not making an issue of the removal of a few provincial officials," Maj.-Gen. Isogai asserted. "That is a small question. We want to know if Gen. Chiang is sincere enough in his desire for peace in the Far East to abandon the policies he has pursued since the day he left Canton, and seek a solution of all Sino-Japanese problems, including that of Manchoukuo, once for all."

"We are not interested in the fate of Gen. Chiang," the Japanese military attache continued. "What we seek is a government capable of co-operating with Japan in maintaining the peace of the Far East. It does not seem to us that Gen. Chiang is prepared to lead one. Consequently, we find it necessary to carry out our abjective even if it applies only to North China. We are fully prepared to do this, he added.

Denying the current rumors that a pro-Japanese administration would be set up in North China, the Tokyo War Office predicted June 11 that Generals Yen Hsi-shan and Han Fu-chu would "ultimately" replace the existing agencies of the Nanking Government.

Akira Ariyoshi, new Japanese Ambassador to Nanking, declared at Kobe June 10 on his way to China that Gen. Chiang Kai-shek still remained the sole "party to deal with in our relations with China."

Japan's demands for the suppression of anti-Japanese movements must not be limited in application to that area, but should be extended to all of China. This opinion was expressed on June 10 by Lieut.-Gen. Toranosuke Hashimoto, vice-Minister of War in Tokyo.

COMPLETE DISBANDING OF "BLUE SHIRTS" DEMANDED BY JAPAN

Complete dissolution of the "Blue Shirts," secret society engaging in terrorism, with nation-wide ramifications in China, is necessary if all anti-Japanese activities in that country are to be suppressed, a spokesman for the Tokyo War Office said on June 7. The spokesman branded as untrue the purported assertion made by Gen. Ho Ying-chin, denying that "Blue Shrits" existed in North China.

MILITARY CIRCLES SEE NO PROGRESS IN N. CHINA

Military circles in Tokyo declared on June 7 that they saw no prospect of near settlement in North China. They also expressed their strong disappointment at the reports received from China that Gen. Chiang Kai-shek and Marshal Chang Hsueh-liang, who is the superior officer of Gen. Yu Hsueh-chung, were both evading the assumption of responsibility for the developments in North China.

The reports, they said, showed that these two officers were handing over the task of negotiating with Japan to Wang Ching-wei and Tang Yu-jen "both of whom are known as the 'pro-Japanese' element in the Government." This action, military circles declared, made one believe that the two officers were attempting to place the burden of responsibility on the shoulders of the two civil officials.

"SHANGHAI MAINICHI" ON NORTH CHINA CRISIS

"The hopes and desires of the Japanese military authorities in China and the Government and people of the Imperial Japanese Empire, are contained in the note presented on May 29th to the Chinese authorities in North China.

"However, the Chinese authorities have failed to see Japan's real motive and have tried to evade the issue. The responsible Chinese authorities are not trying to make any direct contact with the Japanese for the solution of the problem. General Huang Fu, General Ho Ying-chin, and Wang Ching-wei, who are negotiating with the Japanese, have no real power. General Chiang Kai-shek, the dictator of China, has not yet made a statement regarding the Japanese note.

"Judging from the anti-Japan and anti-Manchukuo actions of Nanking, and General Chiang Kai-shek, the Japanese Kwantung Army and the Japanese North China military authorities cannot but take definite actions for self-defence. We do not want war. But for the sake of the 'One Hundred Years of Our National this self-defence action of the Imperial Army is an unavoidable course of action."

JAPAN DEMANDS RECOGNITION OF MANCHUKUO BY CHINA

Col. Isogai, Japanese military attache at Shanghai, upon his arrival at Tientsin June 7, declared that Japan will take this opportunity to press the Chinese Government to recognize Manchukuo. He further declared that the Japanese authorities are determined to change China's "double faced policy," and to complete the eradication of the secret societies of China including the Blue Jackets, the Kuomintang, and others which support General Chiang Kai-shek as dictator of China and which are controlled by him, reported the *Shanghai Mainichi*, June 8.

FRESH TROUBLE IN CHAHAR LOOMS AS JAPAN PICKS NEW QUARREL

Lt.-Col. Gennosuke Matsui, Japanese resident officer in Kalgan, filed a vigorous protest with Gen. Sung Che-yuan, chairman of the Chahar Provincial Government, on June 6 over the 24-hour detention of four civilian employees of the Kwantung Army by Chinese soldiers in Chahar.

According to reports, the four Japanese were arrested at Changpei, directly north of Kalgan on June 5 and taken to the headquarters of the 132nd Division where they were detained for 24 hours despite their protests. All carried identification papers, Lt.-Col. Matsui said.

Maj.-Gen. Kenji Doihara, chief of the Special Service Division of the Kwantung Army in Mukden, who arrived at Tientsin June 11 to attend the conference of high Japanese officers, has gone to Peiping to protest to Gen. Ho Ying-chin in connection with the matter.

Momentous decisions were expected to follow the conference of high Japanese Army officers at the residence of Lieut.-Gen. Yoshijiro Umetsu, Commander-in-chief of the Japanese forces in North China, in the afternoon of June 11. Col. Seiya Kita, chief of the China Section of the Army General Staff, is among the officers participating in the conference.

Concrete steps to achieve Sino-Japanese co-operation; ways of keeping watch on the Chinese compliance with the Japanese demands; and the date for the departure from North China of Japanese units whose term of service has expired to be on the agenda of the conference. Following the conference Maj.-Gen. Kenji Doihara, and Col. Seiya

left Tientsin for Peiping in the night of June 11. The purpose of their trip was to see if the Japanese demands are being "faithfully carried out."

JAPANESE DESTROYERS ARRIVE AT TIENTSIN

Two Japanese destroyers arrived at Tientsin, June 17 from Tangku. They are scheduled to sail for a cruise up the Pai-Ho. Both ships are attached to the Fifteenth Destroyer Flotilla.

Lt. Col. Masanori Hasegawa, commander of the Japanese Legation Guard at Peiping, announced that the forces under his command would be increased, but declined to disclose the number of men to be added to it.

Two Japanese warships arrived at Chingwangtao in the morning of June 8 from Dairen. In the afternoon, the two warship left for Dairen after unloading summer uniforms for Japanese troops in North China and other military supplies at Chingwangtao.

JAPANESE FELIEF DETACHMENTS ARRIVE

Japanese relief units from the 4th and 12th Divisions, which will replace those scheduled to return home on the expiration of their term of service in North China on June 16, arrived at Tientsin from Tangku at 4 p.m. June 11 Officials declined to disclose their strength.

Other units, which will replace those now in Peiping, Tangshan and other posts along the Peiping-Mukden Railway, arrived off Chingwangtao June 12.

800 Japanese soldiers sent to reinforce the troops in Tientsin have arrived at Tangku. They will be sent to Tientsin by train immediately.

Incursions of Japanese troops into the Chinese city continued on June 8, when a party of 40 soldiers with light artillery marched through the streets. *Reuter* learned that when the latest detachments sent from Japan arrive in Tientsin, the Japanese garrison in North China will number 4,000 men.

GEN. HO YING-CHIN RESIGNS FROM PEIPING POST

Rengo reported that Gen. Ho Ying-chin, Chairman of the Peiping Branch Military Council, wired on June 11 his resignation to Gen. Chiang Kai-shek. The expected dissolution of the Council was given by Gen. Ho as the reason for his action.

SUPPRESSION OF SECRET ORGANIZATIONS IN NORTH ORDERED

General Ho Ying-chin has issued an order to the civil, military and gendarmerie organs in Peiping and Tientsin requiring the rigid suppression of secret organizations deterimental to friendly relations with foreign countries, according a *Kuo Min* messaage June 9. The Mayor of Peiping and Tientsin, the Gendarmerie Commander for the Peiping-Tientsin Area, the Garrison Commander for Tientsin and the Commander of the Gendarmerie in Peiping are ordered to exercise a close watch for and promptly suppress all secret organizations whose activities might impair Sino-foreign relations.

Gen. Ho on June 9 also ordered the suppression of the *Peipan Jihpao* and the *Chienpao*, dailies published by the by the Political Training Section of the Branch Military Affairs Commission.

PEIPING AND TIENTSIN PARTY HEADQUARTERS SUSPEND FUNCTIONING

Acting under orders from the Central Party Headquarters, the Hopei Provincial, the Peiping and Tientsin Municipal Party Headquarters all suspended functioning June 11 and are winding up affairs.

HAYASHI FINDS BANDITRY STILL RIFE IN MANCHURIA

General Senjuro Hayashi, Japanese War Minister, in an interview with a group of foreign newspapermen, at Mukden June 4 replied to the foreigners questions including such as "In case the present North China negotiations break down will Japan occupy Peiping and Tientsin immediately by armed power?" or "Do Japan's demands include inclusion of Peiping and Tientsin in the demilitarized zone and China's recognition of Manchoukuo?". The questions and answers exchanged between General Hayashi and the foreign correspondents follow:

A. The demands made by the Tientsin garrison concerning the Sun Yung-chin bandit incident in the demilitarized zone and the terroristic incident in Tientsin concern peace and order in Sino-Japanese border territory, I cannot disclose the demands in detail.

Q. Is there any possibility of a Soviet-Japanese non-aggression pact being concluded?

A. For the present I do not think there is such a possibility.

Following the foreign correspondents' interview General Hayashi talked with the Japanese newspaper correspondents at Mukden as follows:

"I thought the condition of peace and order in Manchoukuo had improved in general and bandit suppression only in scattered spots, but as a result of my present trip I have found that the activities of bandits are still great, especially in the East of Kirin and all over the Tungpientao district. As a result the troops in the inner parts of Manchuria have much occasion to operate and are usually scattered. Under such circumstances they are poorly supplied with provisions and this is regrettable."

Having completed a two-week tour Manchoukuo, General Senjuro Hayashi left Manchuria for Tokyo by way of Korea at 7:50 a.m. June.

SECOND JAPANESE CONSULAR CONFERENCE IN SHANGHAI

Japanese consuls from all parts of China will meet at the end of June in Shanghai to confer with Akira Ariyoshi, the new Japanese Ambassador to Nanking, *Rengo* learned at at the Foreign Office in Tokyo June 7.

The conference will also be attended by Goro Morishima, Director of the East Asiatic Affairs Bureau of the Foreign Office, and another official from the Gaimusho Commercial Affairs Bureau, who will come to China to discuss the question of tariffs.

WAR OFFICE CITES ITS COMPLAINTS AGAINST NANKING

The *Osaka Mainichi* reported on June 1 that as the glaring examples of anti-Japanism, the Tokyo military authorities give the following:—

1.—The Loyang branch school of the Military Academy of the Nanking Government has a special class for the training of Koreans with the specific object of putting them to espionage and sabotage work in case of war with Japan. In the middle of May, the Japanese authorities filed a protest with the Nanking authorities, demanding the abolition of this class, but the latter show no sings of compliance.

2.—For the consolidation of peace in the zone covered by the Truce Agreement, an agreement was reached between the representatives of the Japanese and Chinese authorities on April 11th in regard to the reform of peace preservation organs. In defiance of this agreement, General Yu Hsueh-chung, head of Hopei province, proceeded towards the end of April to extend the zone under his direct control, and evidently bent on flouting the agreement whenever he has an opportunity.

3.—On May 3rd, the proprietors of two Chinese newspapers of pro-Japanese tendencies were assassinated in the Japanese concession of Tientsin. There are unmistakable signs that the crime was perpetrated by Blue-shirts and central gendarmes at the instigation of certain high officials.

4.—Since last year, the line of the Great Wall has frequently been invaded by Chinese bandits with bases in the truce zone, and these bandits have been receiving support from the Chinese authorities near Tsunhua.

JAPANESE SPECIAL ENVOY ARRIVES IN SHANGHAI

Tadao Matsumoto, assistant political under-secretary of the Japanese Foreign Office, called on General Huang Fu at Shanghai June 9. The Japanese official and General Huang discussed Sino-Japanese problems for an hour and a half. In the afternoon, Mr. Matsumoto visited Chiaotung University and in the evening attended a reception to Chinese newspapermen given by the Japanese press official attached to the Japanese Legation in Shanghai.

YU HSUEH-CHUNG TRANSFERED TO WEST CHINA AS BANDIT-SUPPRESSION COMMANDER

The National Government, in a mandate issued June 6, announced the acceptance of the resignation of General

Yu Hsueh-chung, as Chairman of the Hopei Provincial Government, and his transfer as Commander of the Bandit-suppression Forces for the Szechuan-Shensi-Kansu Border. General Yu, however, continues to retain his command of the 51st Army. In another mandate on the same day, the National Government appointed Chang Hon-yuan, Commissioner of Civil Affairs for Hopei, as Acting Chairman of that Province pending a reorganization of the Provincial Government.

YU'S TRANSFER IS SAID AN INSULT TO JAPAN

The transfer of General Yu Hsueh-chung from Tientsin to the west is considered an insult to Japan by Lt.-Col. Amemiaya, Japanese military attache in Nanking, the *Shanghai Mainichi* reported June 7.

"General Yu is responsible for the assassination of the two Chinese newspaper editors in the Japanese Concession, he should be discharged from his post and duly punished. However, he is appointed as Commander-in-chief of the Communist-Suppression Army of the Shensi, Kansu and Szechuan border. The Nanking Government's action in the matter is a direct insult to Japan", declared Lt.-Col. Amemiaya.

It is interesting to note that Chang Hou-yuan, the acting Chairman of Hopei, is a relative of Chang Yen-chin, Minister of Foreign Affairs of "Manchukuo." His appointment as acting chairman of Hopei is of great interest, observes the *Shanghai Nichinichi*.

GEN. SHANG CHENG ASSUMES TIENTSIN POSTS

General Shang Cheng, Commander of the 32nd Army, took up his duties June 9 as Garrison Commander of Tientsin and Acting Mayor. Major-General Li Chun-hsiang, the incumbent Commissioner of Public Safety, has been relieved of his outies and is succeeded by Major-General Liu Yu-shu. Transfer of the units of the 32nd Army under General Shang Cheng to Tientsin from Peiping commenced June 9.

JAPANESE DEMAND WITHDRAWAL OF SHANG'S TROOPS FROM TANGKU

Two Chinese cavalry detachments under Gen. Shang Cheng, which arrived at Tangku in the afternoon of June 10 from Tsungchow, were ordered to exacuate by the commander of the Japanese guard detachment there the same evening.

The grounds for the demand, according to the Japanese officer, were that the presence of such a large number of Chinese troops was unnecessary for th maintenance of peace and order. He gave the same reason for his demand on June 9 that the Chinese infantry battalion, that arrived there to replace troops of the 51st Army be reduced to a company. Both steps asked for by the Japanese officer have been complied with by the garrison commander.

The removal of both the Hopei Provincial Government and the Headquarters of the 51st Army under General Yu Hsueh-chung from Tientsin to Paoting, central Hopei, was completed June 6, according to a *Kuo Min* message from Tientsin.

"CHEN PAO" ON THE NORTH CHINA SITUATION

Commenting on the serious condition in North China, the *Chen Pao* in an editorial urged the people to continue striving for national salvation. Referring to the cause of China's weakness, the newspaper set forth the following points:

"First and most important, the Chinese people should rid themselves of their feeling of dependence upon others. Secondly, we should do away with the selfishness which is so deeply rooted in most of us. Thirdly, we should not cheat ourselves."

ANTI-FOREIGN GROUPS BANNED BY GOVERNMENT

Reuter reported on June 10 that the national government had issued a mandate warning the Chinese people not to take any action, or express any opimien, tending to provoke the ill-feeling of foreign nations.

The mandate says that China must improve her political administration and hasten her cultural progress with a view to replenishing her national strength. At the same time, she must abide by the principles of international justice and help to maintain world peace.

It is especially important, the mandate continues, that the Chinese people should be friendly towards their neighbors. All Chinese citizens should cultivate the goodwill of friendly Powers and refrain from talking any action or expressing any opinion tending to incite their ill-feeling.

No one shall be allowed in future to form organizations the objects of which are prejudicial to China's international relations, the mandate adds, saying that severe punishment will be meted out to anyone who violates these injuinctions.

HYAKUTAKE DID NOT SEE CHIANG KAI-SHEK

The report published in the Japanese press declaring that Vice-Admiral Hyakutake went from Chungking to Chengtu by airplane to see General Chiang Kai-shek has been found to be groundless. The Japanese Vice-Admiral is said to be returning to Hankow from Chungking. General Chiang Kai-shek's refusal to go to Chungking to see Vice-Admiral Hyakutake is regarded by Japanese circles as a manifestation of the Generalissimo's insincerety towards Japan.

RUMORS OF HANKOW CONFERENCE DENIED BY WANG

Wang Ching-wei, president of the Executive Yuan, on June 6 emphatically denied reports current in Shanghai to the effect that General Chiang Kai-shek, and himself were to hold an important conference at Hankow.

"These reports were entirely without foundation," Mr. Wanng said.

LONDON PAPER SEES ANNEXATION OF NORTH CHINA BY JAPAN INEVITABLE

"Japan's annexation of the most important province in Northern China is the logical continuation of the policy which was begun four years ago with the capture of Mukden," declares the *Daily Herald* in a leading article on June 11.

Four years ago, it says, the movement could have been stopped, but the British Government regard the first Japanese aggression with compiacency.

British Tories who once exulted over the thought that "The Japs are going to fight the Bolshies for us" now see with dismay that Japan's drive is coming southward and her objective is to drive British trade and influence out of China.

The latest news from Peiping and Tokyo leaves no doubt whatever that the Japanese military party have had the best of their recent conflict with Mr. Hirota and diplomatists, declares *The Times*.

POLITICAL CHANGES IN SOUTH PENDING WITH DEPARTURE OF HU HAN-MIN ABROAD

According to a telegram from the *Review's* correspondent in Hongkong for reasons of health, Hu Han-min, veteran Kuomintang leader and ex-President of the Legislative Yuan, left Hongkong for Italy, Switzerland, England and America on June 9 aboard the Conte Verde on a two-year tour abroad. He is being accompanied by his daughter Miss Hu Muk-lan, his private Chinese physician, ex-Mayor of Canton Ching Tien-koo, several secretaries and two bodyguards. The Kwangtung Provincial Government has provided Mr. Hu with a sum of $100,000 to finance his trip. On the day of Mr. Hu's departure, Liu Chi-wen, Mayor of Canton Municipality, General Li Tsung-jen, Commander of the Kwangsi Forces came to Hongkong from Canton to bid farewell to him.

Lin Yung-kai, Chairman of the Kwangtung Provincial Government, Liu Chi-wen, Mayor of Canton, Li Lu-chao, and Li Shing-keng are reported to have tendered their resignations following the departure of Hu Han-min from Hongkong.

It is reported that Lin Yi-chung will succeed Lin Yung-kai as Chairman of Kwangtung, Hsiang Han-pin will succeed Liu Chi-wen as Mayor of Canton, and the posts vacated by Li Lu-chao and Li Shing-keng as directors of Canton-Kowloon and Canton-Hankow (south section) railways respectively will be filled by Tseng Lan-chen and Wang Jen-kong respectively.

A conference of great importance was held at General Li Chung-jen's residence at Tungshan near Canton on June 3. Among those who participated in the conference were General Chen Chi-tang, Li Chung-jen, Yeh Chi, Yu Han-mou, and Chang Jen-min.

General Yeh Chi has been jointly despatched by Generals Chen Chi-tang and Li Tsung-jen, Commanders respectively of the Kwangtung and Kwangsi Provincial Forces, to Hankow en route to Chengtu to see General Chiang Kai-shek. Much significance is attached to the departure of General Yeh northwards as it is understood that he has been entrusted with an important mission by the two Southern leaders.

Headed by Yang Yin-chun, a delegation representing the Miao tribes in Kweichow province, arrived at Kweiyang June 10 and were received by the Provincial Government authorities. Besides reporting on conditions among the tribes during the past ten years, the delegates requested that six districts including Tating be designated as a Special Pacification Area.

GEN. CHIANG URGES COOPERATION OF SZECHUAN LEADERS

Declaring that all eyes in the country are now turned towards the bandit-suupression campaign in Szechuan province, upon the successful conclusion of which hinges not only the peace and order of the province but also that of the entire country, General Chiang Kai-shek, President of the Military Affairs Commission, speaking at the weekly memorial service at Chengtu June 10, called upon all leaders in every walk of life to strive energetically and wholeheartedly for the realization of this objective.

In order to wipe out the "Red" bandits, he continued, we cannot rely solely on military force. Political force, or in other words, social force, should be brought to bear in stamping out the evil influence of the "Reds." General Chiang warned the military commanders against underrating the "Red" bandits.

Transportation of military detachments to the Hsikang-Szechuan border having been completed. Hsikang troops under the command of Lieut-General Liu Wen-hui have started operations in the anti-Communist campaign in co-operation with Szechuan provincial forces.

Two regiments of Hsikang troops dealt a serious blow to the Reds on June 8 when the latter aptempted to cross the river at Haipengshan from the Szechuan side. Taking the attackers unwares, the Hsikang units immediately opened fire. The Sikang troops succeeded in crossing the river on rafts, and after several hours of fighting, captured Luting, a town situated on the Sikang-Szechuan border.

After a six-hour battle in the course of which several hundred of their officers and men were stated to have been either killed or wounded, Government forces of the anti-Communist army repulsed a strong attack on Huangmaokang and Kwanvinshan by a large force of Red troops on the morning of June 6, according to reports received at Chengtu June 9. The Communist bandit force, the dispatches stated, launched the offensive at 7 o'clock in the morning, attacking by two routes. After four hours of fighting the Reds were reinforced with field pieeces and mainche guns, bombarding the government lines at close intervals.

Government units however came to the resuce from Hsiaoping, and by counter-attacking the Communists from their left flang, were able to divert the attention of the main attacking force. Coupled with a general charge by government forces guarding the two towns on the main lines of the attackers, the "rescue" troops finally beat the Reds back.

The Column under Lieut.-General Hsu Shao-tsung of to the 5th Route Army launching an attack from Kuchukow, near Kiangyu city, northern Szechuan, has dispersed the remnant "Reds" under Hsu Hsiang-chien at the Kuanwushan-Shuiimiao-Tungyomiao sector and occupied the area. The Szechuan troops have also recovered the Wangsiangchao-Kungtzussu-Kaotangkuan-Kuantu line from the outlaws.

More than 30,000 Communists under Chu Teh and Mou Tsu-tung in the western part of Szechuan have captured Miennin, after a successful journey across Sichang district. These Communists are approaching Chinyueh. Government forces of Szechuen and Yunnan are being concentrated at Hweili for the suppression of these Communists, according to *Kung Shan Jih Pao*, Hongkong, May 28.

According to *Kung Shang Jih Pao* June 1, General Chiang has ordered the reduction of the military appropriations of the different generals in Szechuan as follows:

Generals	Former Appropriation (per month)	Present Military Expenditure after reduction (per month)
Teng Hsi-hou	$750,000	$500,000
Sung Shen	500,000	300,000
Yang hng	600,000	400,000
Liu Chen-hou	550,000	420,000
Liu Wen-hui	800,000	550,000
Li Chi-hsian	400,000	200,000

Through the strenuous efforts of the Hunan Peace Preservation Units under Major-General Lo Shu-chia and the Hupeh Provincial Forces, the remnant "Reds" under Hsu Yen-kang in the border regions of Yochow, northern Hunan, and Tungcheng, southern Hupeh, have been entirely cleared up. The marauders have retreated to Tsingshuipu and Lungwangtien, where they are being surrounded by the Government forces.

In north-western Hunan, the remnant "Reds" under Hsiao Ko and Ho Lung, occupying Minhuta and Weikichiao, were attacked by three Hunan brigades, and their lair at minhute was finally occupied after bitter fighting.

Another victory has been scored by Hunan provincial troops in their anti-Red cleaning-up campaign in northwest Hunan with the recapture on June 7 of Kwanpa, midway between Sangchih and Yungshun, after a grueling battle lasting all day. The city had been held by the Reds under Hsiao Ke for a considerable time.

Chung Shih-pin, chairman of the Soviet Committee in southern Kiangsi, has been captured by provincial troops at kian.

SECRET COMMUNIST WOMAN ORGANIZATION DISCOVERED

Hsu Chiu-pai, important Communist leader and member of the Communist Central Executive Committee, who was captured last month in western Fukien, had been executed by order of General Chiang Kai-shek.

A secret Communist espionage organization, composed of young vivacious women spies, has been descovered at Huichang, on the Kiangsi-Fukien border, according to military reports reaching Foochow June 9. Miss Hsiao Chao-lien, a charming girl in her early twenties, who is leader of the group, has been arrested together with ten others belonging to the First Section of the espionage gang. According to Miss Hsiao, this organization was formed recently for the purpose of stealing information from Government officials about movements and work of government troops.

MONGOLIAN LEADER RETURNS TO PANKIANG

Concluding his one week's stay in Peiping during which he held conferences with local military and civil leaders, Prince Teh, one of the most influential leaders of Inner Mongolia and Secretary-general of the Mongolian Political Council, left for Kalgan at noon June 8 for Pankiang. Prince Teh will stop at Kalgan for two days before returning to Pankiang, from were he will proceed to Paolingmiao.

In the capacity as Secretary-general of the Mongolian Political Council, Prince Teh stated that he would do his utmost to see to it that the resolutions recently adopted at the Pailingmiao conference be put into execution. But as as huge sums of money will be required to enforce such an extensive program of reconstruction, Prince Teh explained, he has petitioned the National Government for a monthly allowance of $100,000 as reconstruction expenses for Inner Mongolia. In conclusion, Prince Teh laid special stress on the absolute necessity of closer co-operation between the National Government and Inner Mongolia during the present national crisis.

The Panchen Lama, "Living Buddha" of Tibet, has reached Taerhssu (monastery) in Chinghai (Kokonor), where he will make final preparations for his return to Tibet. In a telegram to No-Na Hutuketu, "Living Buddha" of Hsikang, the Panchen Lama states that he has decided to return to Tibet in early July. As various monasteries in Hsikang have been damaged by military operations and are in need of urgent relief, he will proceed via Hsikang to see that the necessary repairs are made.

From Non-Resistance to Submission and Subjection

BY C. Y. W. MENG (孟長泳)

SINCE the fatal night of September 18, 1931, when the Japanese army, without any provocation, and to the surprise of the Chinese authorities, invaded, attacked and occupied Mukden, capital city of the Province of Fengtien, the Chinese foreign relations, so far as the Japanese are concerned, may be divided into three periods, namely, the periods of "non-resistance", "submission", and "subjection".

A Period of Non-Resistance

According to some Chinese claims, the adoption of a policy of non-resistance is not without justification for two reasons. First: Japan's attack was more or less very "sudden", and China, by that time, was not prepared for the eventuality. In order to avoid "meaningless sacrifice of lives and properties", China adopted such policy in face of the Japanese aggression. Secondly, they point out the past fact that when the Japanese forces invaded and attacked Tsinan with a view to blocking the advance of the Chinese Northern Punitive forces, under the command of General Chiang Kai-shek, China, also adopted the same non-resistance policy and the Chinese army had to take a round-about route to reach Peiping, but the matter was at last settled, and the Japanese troops were withdrawn. So, in their opinion, China could adopt the same policy as in said instance. So, the best equipped troops, no less than 300,000 strong, did not offer any resistance in face of the invasion. The many up-to-date fighting and bombing planes, no less than 300 in number in the Mukden airdrome, and the Mukden Arsenal, the best in Chinese, werenot destroyed by the Chinese when they withdrew—an action, according to strategy, they should have taken, but allowed the whole outfit to be taken over and made use of by the invaders. The invaders were then able to use these planes to fight and bomb the Chinese "volunteers"; and the invaders were able to use the arsenal to manufacture more ammunition to supply themselves with more war materials in their further conquest of China.

To Marshal Chang Hsueh-liang and his subordinates, the Japanese invasion may have been "sudden". But to keen observers, such invasion and attack was more than predicted with certainty. As pointed out by foreign correspondents in Mukden many days before the actual invasion and attack, they already saw that the S. M. R. (South Manchurian Railway) was busy transporting cargoes, mostly under the name of "motor cars"; and Japanese laborers were busy unloading them and carrying them to some "unknown destination." In fact, they were not motor cars but all fighting materials. Where was the Marshal's intelligence service? Why was it not aware of this? Secondly, the situation in Manchuria is certainly different from that in Shantung—a subject too clear to need any further explanation.

The subsequent resistance put up by Gen. Ma Chan-sen in Kirin, by General Tsai Ting-kai in Shanghai, General Soong Chi-yuan in the North, etc. could never be considered as resistance against the Japanese invasion by the Chinese nation. It was only "regional resistance," offered by the local commaders of forces who happened to be opposed to the policy of non-resistance. It was not national and concerted, but only unorganized resistance against the well prepared and systematic Japanese invasions of China. For example, in the Sino-Japanese "undeclared war" along the Great Wall, the Chinese forces from different places were not placed under one commander and under one direction. When the Japanese attacked the Chinese forces in one place, the Chinese forces in the neighborhood did not come to their assistance. The invaders were then able to defeat the Chinese forces in one place; and to transfer their forces to attack the Chinese forces in another place, and inflicted on them a defeat, thus defeating the Chinese forces one by one. That is precisely the reason why the Chinese forces, which did put up a good fight and stubborn resistance, were not able to block the advance of the invaders, and one position after another was lost.

Nanking's Blunders

To adopt the policy of non-resistance is blunderous enough. But the then existing situation was not without remedy. Dr. Wellington Koo, the then Minister of Foreign Affairs, proposed to designate Chingchow, south of Mukden as a "neutralized zone" to be stationed with international troops, the object being to block further Japanese invasion. But, unfortunately, Nanking had not the courage to carry out this policy, but went on to insist on "no negotiation before withdrawal of invading troops". Such policy sounds well, but its success was apparently conditioned upon China's ability to cause, or rather to force, the withdrawal of the Japanese troops. Had Dr. Koo's proposal been put into execution, it would have prevented the invasion and loss of Shanhaikwan, Jehol and North China. This was Nanking's first blunder.

Secondly, besides appealing to the League of Nations for justice and action, China should have resorted to the "Nine-Power Treaty". America would have been in a better position to take action in the situtation, rather than to act in the capacity of an "observer". Further, by resorting to the 9-Power Treaty, China would have enlisted the assistance of Canada, Australia, etc., which were instrumental in the abolition of the Anglo-Japanese Alliance in 1922, and they are the most ardent supporters of "Anglo-American co-operation" in dealing with the international situation.

Thirdly, Nanking should have made use of the outbreak of the Japanese invasion of Manchuria to bring about national unification, not only with the Canton opponents, but also with the "communists." At one time, we were informed that the communist leaders did offer to Nanking to present a united front to fight the Japanese invaders. (The writer of this article reserves his right to rectify this statement in case this is not true.) The failure on the part of the Nanking leaders to grasp such offer and opportunity constitutes another big blunder. The policy of "pacifying the internal condition first, and then to resist the outside aggression", which means the suppression of the communist-bandits first, is not quite agreeable to us. The subsequent talks of taking "simultaneous action" for suppressing the communists and resisting the aggression, (雙管齊下) is more than ridiculous in the eyes of the world!

Having discovered that the Chinese are not going to put up any effective resistance in face of the Japanese invasion; and further, that there is no unity among the powers interested in the Far Eastern situation to take any joint action, Japan has every incentive to go on with her program of conquest of China. So, Manchukuo was established; North China was invaded and demilitarized; and many other "demands" were presented to Nanking with a sole view to reducing China to a vassal state of Japan!

A Period of Submission

The signing the Tangku Agreement on May 31, 1933, when many passes along the Great Wall were lost to the invaders; and when Peiping and Tientsin were in imminent danger of being occupied by the invaders—these meant the end of the Chinese "regional resistance", and the begining of a period of submission to the Japanese will. During these two years (1933-1935) we saw the Japanese militarists flooding Nanking with one set of demands after another. Japan demanded the opening of direct postal and rail service between Manchukuo and North China, with Shanhaikwan as the "boundary line"—a demand nothing more than to ask China to accord a tacit recognition of Manchukuo. China yields and agrees to the demand. Japan demands the readjustment of Sino-Japanese loans, including the Nishihara Loan. China also yields and agrees. Some of the Sino-Japanese debts were already being adjusted. Japan demands the formation of "Sino-Japanese economic co-operation" which, put in other words, meant nothing else than Japanese economic domination and control of China. China also yields and agrees, etc.

"A Policy of Compliance"

Nanking does so not without giving reasons. The so-called "realists" usually point out that China today is in the same condition as Germany after her defeat in 1918, when France, her traditional enemy, invaded her territories and inaugurated a "region of terror", and set up the so-called "Separatist Autonomous Republic" in Rhineland, and when it was physically impossible for Germany to resist, and when Dr. Stresemann had to give up the policy of resistance, and to adopt a policy of "fulfillment" and "compliance". But, continue the realists, as a result, Dr. Stresemann had to his credit three great events, namely, the Dawes Settlement of 1924; the Locarno Agreement of 1925; and Germany's entrance in the League of Nations in 1926. As it is equally impossible for China to resist the Japanese invasion, China had better take the other alternative, and adopt a more "realistic" policy—so argue the "realists."

Indeed, it is true that such policy might be one of the ways out of the most difficult situation. But the situation is somewhat different. There is indeed one "Stresemann" in China who is willing to comply and fulfil the condition and demands, but unfortunately, there is no "Briand" in Japan to say "Away with rifles, machine-guns, cannons! Make room for conciliation, arbitration, peace!" As the observers are aware, a new prospect arose and an evil period closed in 1924, only when changes of Government came in Britain and France,—when Briand, the winner of the world Peace Prize, came into power in France. In his speech, Briand not only admitted the Franco-German equality in "military glory" when he said that "our nations need give no further proof of their strength or of their heroism. Both nations have shown

their prowess on the battlefield, and both have reaped an ample harvest of military glory. Henceforth, they may seek laurels in other fields.", but also agreed that France and Germany should adjust their differences; "just as individual citizens take their difficulties to a magistrate, to be settled, so shall we bring ours to be settled by peaceful procedure".

Being so militaristic and aggressive by nature and by blood, the Japanese militarists, who dominate Japan today, are the most discontented people, and we doubt very much the advisability of adopting such a policy.

The more China is concilatory, the more aggressive Japan will be. So although Nanking might bow to the Japanese demands one after another, the aggressors would never be satisfied; and they would present more demands and take more military action, until China will be virtually dominated and controlled by Japan. At first, Japan demanded the opening of direct postal and rail services between Manchukuo and North China, this being only an implied recognition of Manchukuo by China. But now, Japan actually demands that China should accord express recogntion of Manchukuo! So we can say that the Japanese demands will be endless and have no limit, if China continues to comply with all their demands!

A Period of Subjection

The latest Japanese military action in North China, Japan's "ultimatums", "representations", to China, Japan's open denunciation of General Chiang Ksi-shek; together with Nanking's acceptance of Japanese demands by effecting the wholesale dismissal of Chinese officials in the North, means the virtual subjection of China to Japan! China has not only to lose her Manchuria and Jehol to Japan, but also the whole of North China! China has not only to recognize Manchukuo—Japan's puppet—but also Japan's dominating position in China!

Unlike during the period of non-resistance, there were still one or two alternatives left for China to resort to. The present situtaion has put China in the most hopeless state, except the unconditional subjection to Japan. Internationally, due to many other reasons, but largely due to China's own fault and poor diplomacy, no assistance could come to China in the time of crisis. Internally—the worst of all—the Anti-Communist and Bandit campaign, which were formerly confined to the Province of Kiangsi, is now spreading to many interior provinces, such as Szechuen, Yunnan, Kweichow, Kansu, and possibly Sinkiang (Chinese Turkestan). China is almost facing another "Taiping Rebellion" which devastated the whole empire, for no less than five solid years, and was only suppressed by the help of foreign forces. At present the provincial forces are altogether incapable. The Central Government has to rush all available forces to their assistance. Eighty cents out of each dollar of the national revenue has gone to military purposes, not so much for national defence,but principally for the anti-communist campaign. In the event of further Japanese armed invasion of the Chinese territory,—an action to enforce new demands upon China—the Central Government would not be able to put any division of troops in the battle-field, for the simple reason that they are being tied up in internal campaigns. Further, during the period of submission, China has yielded and agreed to too many of the Japanese demands, such as the demilitarization of the Chinese strategic places. The movement of Chinese troops is now made very difficult. Such being the state of affairs in China, it, of course, leaves no other alternative, except subjection. That is to say, the Japanese aggression in China has already reached its "third stage," where she can now "dictate"; and China is forced to yield and obey. The result is that the existence of the Chinese nation is very near to extinction.

During these few days, we have seen the continuous arrival of the Chinese gendarmere forces at Nanking. According to our infomration, these Chinese military policy force s,formerly stationing at Peiping and Tientsin, have now been withdrawn, as the Chinese authorities have accepted the Japanese demands. They do so, of course, under other pretext—that is, the "exchange of forces!" By complete withdrawal of the troops under the command of Gen. Yu Hsueh-chung, not only to Paotingfu, but to the far North-West, and also that of the Central Government forces, and by accusing that the Chinese replacement troops are "anti-Japanese", Japan could demand their withdrawal at will at any time, this it means nothing else than the "demilitarization" of Peiping and Tientsin. The only thing is that the Japanese militarists demilitarize Peiping and Tientsin not openly but underhandedly, apparently in view of the existenc of the so-called "legation quarters" in Peiping. That is, to say, this year, we witness the demilitarization of Peiping and Tientsin in addition to the already large trip of "demilitarized zone" south of the Great Wall; and next year, we will witness the demilitarization of all territories north of the Yellow River. In fact, the Japanese militarists are frank enough and have already informed the Chinese of their intention to do so in the near future. But, as we pointed out before, demilitarization, means nothing less than the cessation of the Chinese administration over these territories, and the domination of the Japanese control. So, by the wholesale acceptance of the Japanese demands, and by "giving up" Peiping and Tientsin, Nanking has subjected itself to the dictates of the invaders!"

International Intervention Demanded

The world has never before observed the spectacle of a great nation, containing the world's most numerous population, being subject to alien control without any serious military oppossition. The world has also never oberved that unprecedented foreign aggression, such as the Japanese invasion of China, has failed to cause the nation to unite. This indicates the total lack of patriotism on the part of the Chinese masses, and total lack of political intelligence and statesmanship on the part of the Chinese leaders.

A study of Chinese foreign relations, will reveal to us that China has faced the same periods before—the periods of submission and subjection. (See Morse—"International Relations of the Chinese Empire"). But the "impending break-up" of the Empire was at last saved by "open door policy; by rivalry and impossibliity among the Powers to agree to the division of the "spoils"; and to the Chinese revolution of 1911. Would that there were another "timely policy and action" from some powers to save China, not from being divided amnog the principal powers, but from being "devoured" by Japan alone! Would that there were another "3-Power" intervention, in the same nature as the Franco-German-Russian opposition against the Japanese acquisition of the Lioatung Peninsula from China after her victiory over China? Would that there were another internal "revolution" to bring about a change of the Chinese policy towards the Japanese invasion! In other words, not only should China make up her mind to face the Japanese aggression courageously, but the whole civilized world must rise and act to bring about the down-fall of "militaristic Japan"—the world's greatest menace.

Nanking, June 9, 1935,

The Case of "Mr. X."

The Editor, *China Weekly Review* :—

IF the Chinese people had need of one more instance to convince them that extraterritoriality must absolutely and immediately be abolished in China, that need has been fulfilled by the recent case of "Mr. X" before Judge Yoh of the Second Branch Kiangsu High Court. In this case the accused, a foreign national designated as Mr. X (alias Walden), was charged with a very serious offence, but chose to stand mute. When the net of legal evidence was gradually drawn around him, the said Mr. X immediately declared, "I am a Frenchman!" and thus attempted to clog the wheels of the Chinese judicial machinery. The accused, of course, could just as well have claimed that he was an Englishman, or an American, or any other national still enjoying or abusing extraterritorial rights in China, whichever most conveniently occurred to him at the moment. The merits of the case, and the niceties of the various rendition treaties concerned, have been adequately dealt with by the able Chinese judges on the bench. But going beyond such treaties and agreements, and back to the more fundamental principles behind the matter itself, the point is this: It means that any foreign rogue in China, and there are not a few, can violate at will all Chinese laws, and after a trial proving their guilt, can then thumb their noses at the Chinese courts by simply shouting, "I am a Frenchman!" Such an intolerable legal situation exists nowhere else in the world to-day except in China.

The whole iniquitous situation, however, was further aggravated and capped by the ill-advised action of the Shanghai Municipal Council acting through the office of its Secretary-General, Sterling Fessenden (if press reports are correct). This distinguished gentleman, after the Kiangsu High Court had given its decision ordering the accused Mr. X to be handed over to the Hupeh Tribunal for trial, rendered impotent the order of the Chinese Court by issuing instructions to the Settlement police to retain custody of the accused regardless of action taken in other quarters. In any other jursidiction but China this petty municipal official would be thrown into jail without much more ado.

The Shanghai Municipal Council has acted in the matter after the manner of the law of the jungle, as against the law of the land. It's act is brute force, pure and simple. The happy side to it all, of course, is that such brute force will prove its own Nemesis in the end. Fanciful though it may sound today, nevertheless the just aspirations of the Chinese people will ultimately triumph, and this sooner than many a China die-hard would care to confess. Failing every other means of ending this intolerable extrality situation, extraterritoriality abused beyond recognition, there will be nothing left but for brute force to be met by brute force.

Shanghai, June 10, 1935. AN ENGLISH BARRISTER.

Formal protests against the delay in handing over Joseph Walden to the Chinese authorities were presented to the Shanghai Municipal Council by the Kiangsu High Court and the Shanghai City Government June 8. Walden, a suspected Communist, is being held in the Amoy Road prison pending the completion of an investigation into his nationality, conducted by the French Consular Court.

"For Justice" wrote a long letter to the *North China Daily News* June 6 with the theme that the Shanghai Municipal Council should weigh carefully its legal status thereafter, before it consents to extradite a foreigner without a fair trial.

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Demands of Japanese Militarists Cause Great Anxiety in Financial Circles

A TOKYO message June 6 stated that economy in all Government departments will form the basic policy for next fiscal year's budget now being mapped by the Ministry of Finance. The ability of the Japanese people to purchase "red-ink" bonds designed to cover huge budgetary deficits that have occurred without interruption in recent years, is rapidly reaching saturation point, according to statisticians.

The unrelenting demands of the military and naval branches on the Treasury have made necessary the continued issue of these debentures and observers fear that a substantial amount of them will have to be floated next fiscal year in view of the announced intention of both the Navy and the Army to ask for huge appropriations in that period.

Takahashi to Stop "Raids on Treasury"

The Finance Ministry, headed by 81-year old Korekiyo Takahashi, announced in Tokyo, June 10 that it expected all the departments of the Government to conform to its outline budget, and that it would not permit the repetition of "raids on the national treasury." The announcement was made as the Accountants' Bureau of the Ministry began drafting the tentative budget, which will be presented to the Cabinet for approval on June 21.

Japanese Government Not to Raise Taxes Next Year

Japan's over-burdened taxpayers were promised by the Finance Ministry on June 11 that there will be no tax raises in the next fiscal year, provided the National Policy Council formulates measures for the reform of the taxation scheme. The deficit, which is anticipated in connection with increased demands for national defense and agricultural relief, would be met by the issuance of "red ink bonds", officials of the Ministry indicated.

Leaders Confer on Revival of Seiyukai

Plans for the revival of the Seiyukai, Japan's major party, which has been beset with internal dissessions in the last few months, were discussed in Osaka June 8 between Husanosuke Kuhara and Kunisuke Okazaki, two prominent members of the party.

Bills to Be Studied by Brain Trust Are Delayed

Ministerial disagreement on the wording of bills to be submitted for study to the National Policy Council, Japanese "brain trust", has led to the postponement of Cabinet action on the measures.

Japan's Trade in Early Party of June Shows Unfavorable Balance

Japan's trade in the early part of June resulted in an unfavorable balance of Yen 8,136,000, with exports totalling Yen 55,693,000. The excess in imports since January was Yen 195,027,000.

Record Japanese Import to Hongkong

The total import of Japanese goods in Hongkong from January to April inclusively amounted to $14,068,036. This is a record for Japanese imports to the colony. Foodstuffs and cotton piece goods are the most important items imported.

Japanese Exports to East Africa Show Increase

A steady increase in Japanese exports to East African countries, despite restrictions imposed by various colonial Governments, was reported to the Foreign Office June 11 by Chosaku Mogaki, Consul in Mombasa, Kenya. Imports of Japanese goods into Kenya and Uganda, according to his report, amounted to £856,219 in 1934, or 15 per cent of the total imports. In 1933 the Japanese exports to Kenya constituted only 12.9 per cent of the total imports of the colony. The exports of Nippon-made products to Tanganyika in 1934 ammounted, according to the report, to £5,230,000, or 22.3 per cent of the total imports. This figure was exceeded only by the British exports to the colony, with £6,660,000. However, Japan sold Tanganyika 78 per cent of her purchases of cotton cloth, to the value of £368,499.

Tokyo Rejects U.S. Request on Curb of Exports to Philippines

Japanese exporters June 1 unanimously turned down the request of the American Government for a curb on the exports of cotton cloth to the Philippines. The resolution, which was adopted at a meeting attended by officials of the Ministry of Commerce and Industry, was immediately communicated to the Tokyo Foreign Office for transmission to Washington.

Japan to Send Trade Envoy to South Seas

Japan's "trade envoy" to the South Seas Islands, Akira Yamaji, of the second section of the Gaimusho Bureau of Eurasian Affairs, will leave Yokohama on June 17. Mr. Yamaji will be charged with the task of studying the possibilities for Japanese trade and investments in Borneo, Celebes, New Guinea and other areas.

Aid Sought for Colonization Project in Brazil

Aid of Japan's financial "big three" in the proposed organization of a huge colonization company with tracts on the banks of the Amazon River in Brazil is being by sought by Tsukasa Kamitsuka. At a conference of the Industrial Club in Tokyo June 7, which was held under the auspices of Baron Seinosuke Goh, president of the powerful Japanese Economic Federation, Mr. Kamitsuka, (who heads the Amazon Productlon Research Institute,) urged that a company capitalized at Yen 10,000,000 should be organized for the colonization of a wide tract of land on the banks of the Amazon where coffee, rubber and rice could be raised.

Arbitration Treaty with Netherlands Is Approved by Privy Council

The Privy Council in Tokyo June 5 approved the treaty of arbitration concluded between the Netherlands and Japan in 1933. As soon as the Emperor's approval is secured the ratifications will be exchanged by the two Governments at the Hague.

Japan Agrees to German Plan for Naval Rearmament

Japan's assent to the proposed naval rearmament of Germany was officially communicated to the British Government June 11. The Reich seeks a navy with tonnage equivalent to 35 per cent of that of the British fleet, or approximately 400,000 tons.

Following consultations with the Ministry of the Navy the Foreigh Office cabled Tsuneo Matsudaira, Japanese Ambassador to the Court of St. James, to inform Whitehall that Japan sees no objection to the Berlin plan provided this assent in no way prejudices the Japanese Government's stand on disarmament.

Japanese War Minister Inspects Korean Posts

General Hayashi, Japanese War Minister, who is returning to Japan from a two-week tour of Manchukuo, motored to Rashin, Korea, June 10, where he inspected its harbor facilities.

Japanese Electric Bulb Co. to Make Friendly Arrangement with G. E.

The Tosai (East and West) Electric Bulb Company, capitalized at Yen 1,150,000 fully paid up, which is to be the joint sales company for various standard electric bulbs produced in Japan, was formally organized in Tokyo May 30. Arrangements are expected to be made between the Japanese companies and those with G. E. affiliations to prevent patent disputes such as arose in February last year.

"Japan Advertiser" Prints Annual Review of Finance, Industry and Commerce

The *Japan Advertiser* last week issued its annual review of the finance, industry and commerce of Japan. It is a volume of 64 large pages, profusely illustrated and replete with statistical information.

Taihoku Appellate Court Mitigates Sentence on Netherlands Tanker

Reversing a decision of the Takao branch of the Taihoku High Court, the District Court of Appeals in Formosa June 10 reduced to Yen 500 the fine imposed on Capt. J. Z. Aaling, master of the Netherlands oil tanker *Juno*, on a charge of violating the Japanese Shipping Law. The Appeal Court also voided a confiscation order against the vessel. The ship, a 2,345-ton tanker, on April 7, was found in the fortified zone near Mako, in the Pescadores, and was brought to Takao under the escort of a Japanese destroyer on April 10, on suspicion of having been engaged in espionage. Capt. Aaling pleaded that rough weather had forced him to seek shelter in the forbidden zone. The appeal was filed against the sentence in the lower court by representatives of the Royal Dutch Oil Company, charterers of the vessel, while diplomatic action seeking to obtain leniency was instituted through Gen. J. C. Pabst, Netherlands minister to Japan.

Japanese Navy Frowns on New News Agency Without Participation of "Nippon Dempo"

The Teito *Nichi Nichi* in its issue of June 4 once more took up the subject of news agency amalgamation in Japan. It said the work of organizing the new institution has not progressed much due to the opposition of *Nippon Dempo* and some provincial newspapers affiliated with *Nippon Dempo*. More recently military circles are reported to have made known their request. Under such circumstances some persons even say that the original plans may not be carried out as first planned. It is stated that the Army would not approve the establishment of as new news agency without the participation of *Nippon Dempo* therein.

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Hsinking State Council Approves Japan-Manchukuo Economic Pact

Manchukuo's State Council, the highest deliberative organ in the country, June 10 approved a draft treaty providing for the formation of the Japan-Manchukuo Economic Council. Formal signing of the treaty was expected to take place this week with Gen. Jiro Minami, Japanese Ambassador to Manchukuo, and Premier Chang Ching-hui representing the two nations. The council, when organized, will have its seat in Hsinking and will be charged with the task of discussing matters relating to the economic co-operation between the two countries submitted to it by their respective governments.

Cotton Weaving Company to Be Established in Mukden

A group of Japanese promoters announced June 3 plans for the establishment of a large cotton weaving factory in Mukden which will secure its supply of cotton yarn from Japan.

Okura Company Plans Investments in Manchukuo and Mongolia

Huge commercial investments in western Manchukuo, designed to promote the sale of Japanese articles in Inner Monglia, Charhar and the Jehol frontier areas, are being contemplated by the Okura Company, one of the leading international trading firms in Japan. Special investigators are now surveying the fieds n Hsingan and Jehol provinces of Manchukuo.

Bandits in Kirin Province

The total number of bandits in Kirin province is estimated by the Police Affairs Bureau of the Kirin Provincial Government at 7,850, of whom 700 are classed as communists.

Anti-Japanese Volunteers Active

One Japanese soldier was killed and one wounded as a result of a battle between the Japanese troops and the anti-Japanese Volunteers at the north-eastern district of Tunghua Hsien June 5.

Body of Banditry Victim Discovered in Manchukuo

A dead body, identified as that of one of the Japanese victims of the bandit raid on a Tumen-Hsinking train near Tashihtoutzu a fortnight previously, was found in a forest near Tashihtoutzu May 14.

Two Killed When Brigands Attack Manchukuo Train

A group of well-armed bandits, numbering about 150, attacked a freight train on the Harbin-Suifenho line near Hsiaochu station during the morning of May 27 killing two persons. Shortly after the train had left Hsiaochu station, it was derailed and overturned with a terrific detonation, the outlaws having tampered with the track. Following the wreck the bandits, who had been lying in ambush, attacked and looted the train despite resistance by Manchukuo policemen traveling on the train. A rescue train was rushed to the scene from Imienpo.

Hsinking to Revise Tariff

A third partial revision of the customs tariff is being considered by the Manchukuo Government.

Redemption of S.M.R. Sterling Bonds to Have Little Reaction

Redemption in cash of the £6,000,000 bond issue of the South Manchuria Railway Company, which matures on Jan. 1, 1936, will have little effect on Japan's internal and external financial situation, an official of the Ministry of Finance stated in Tokyo June 6.

S.M.R. Seeks Fifteen Million Loan From Bank Syndicate

Confronted with an unstable bond market, making the sale of a Yen 30,000,000 block of debentures temporarily impossible, the South Manchuria Railway Company June 6 arranged for a Yen 15,000,000 cash loan from the syndicated banks underwriting the issue on June 10. The company is trying to secure Yen 240,000,000 in loans during the current fiscal year.

Manchukuo Minister Ting Is Recalled Home

General Ting Shih-yuan, Manchukuo Minister to Tokyo, returned home this week, following instructions from Changchun. His return is a preparatory step to an exchange of ambassadors between Manchukuo and Japan. Hsieh Chieh-shih, former Foreign Minister, has been selected as Manchukuo's first Ambassador to Tokyo. General Ting will resign from diplomatic service and become a director of a Japanese-Manchurian business concern.

Nearly 400,000 Kilos of Silver Smuggled Out of Manchukuo

Nearly 400,000 kilograms of silver have been smuggled out of Manchuria through Antung between October, 1934,. and April 15 of this year, as the result of the American Sliver Purchase Act, a Manchukuo Finance Ministry Official stated in Hsinking, June 6. (A kilo is two and-one-fifth English pounds).

The Objective of Recent Japanese Moves

BY PAUL K. WHANG (王仲芳)

TO THOSE who have closely watched the march of events in this part of the world for the past four years with any degree of attention, the recent Japanese threats of further military action should occasion no surprise; but to those who have been recently hypnotized by the sweet words and friendly gestures of the Japanese diplomats into believing that a new era has been actually ushered into the Sino-Japanese relations, this renewed sabre-rattling on the part of the Japanese warlords is indeed a thunderbolt from the blue sky. The faint hope that has been lately entertained as to the possibility of the Japanese civilian officers to regain the control of the Japanese Government has been shattered to pieces, and the small good which has been contributed by the Japanese diplomats to the promotion of Sino-Japanese friendly relations has been totally undone by their military colleagues.

The present instance has once again conclusively proved to the world who are the real bosses of the Japanese Government and how far the Japanese warlords are ready to go to bring embarrassment and discomfiture to their diplomats by totally relegating them to the background. The claim put up by the Gaimusho spokesmen that the Japanese military and diplomatic authorities have held identic views over the situation in North China sounds like the whistling made by a boy while passing through the graveyards at night. Mr. Hirota, Japanese foreign minister, had to swallow this bitter pill by telling the Chinese representative that the present impasse in North China was purely a military matter and that the Chinese authorities must negotiate solely with the Japanese Army authorities.

A Suggestion to Abolish Japanese Foreign Office

This is by no means the first time when the Japanese warlords have usurped diplomatic functions from their Gaimusho authorities. But what makes the Japanese diplomatic officials especially embarrassed is the fact that they have not yet finished their rounds of talks about "friendly feelings" and "improved relations" following upon the exchange of ambassadors between China and Japan. The disappointment will be especially acute to those who have hoped that the diplomatic victory gained by Japan over the United States and Britain in the matter of changing the nomenclature of diplomatic representatives might be used as a lever for the furtherance of the movement of Sino-Japanese rapprochement. As a means to relieve Japanese diplomats from their unenviable offices as well as for the sake of economy, we suggest that the Japanese Government should abolish the Foreign Office and delegate diplomatic functions to the hands of the Japanese Army.

According to Col. Takashi Sakai, Chief of Staff of the Japanese forces in North China, who was quoted as telling the Chinese officials, "we shall only carry out what our policy demands", we can not be wrong in surmising what the Japanese warlords have up their sleeves. As a matter of fact, the so-called Japanese policy has been too well-known to the world to call for any further explanations. Any one who has been well versed in Far Eastern affairs can not be at a loss to find out the real meaning of present Japanese moves, which, to all intents and purposes, represent but one of the long-contemplated steps leading to the realization of the dream entertained by the Japanese warlords.

When you want to hit a dog, you can easily find a cudgel. Therefore in pursuing their policy of aggression against China, the Japanese warlords can readily create pretences to renew their military operations. They have now picked a new scapegoat for all sins in the person of Gen. Yu Hsueh-chung, chairman of Hopei Provincial Government, upon whose shoulders, they have heaped all the blame including the assistance allegedly given to the "volunteers" under Sun Yung-chin, the murder of two Chinese editors in Tientsin and the alleged Chinese plots in "Manchukuo". They even went so far as to stage military demonstrations in front of his yamen so as to press for his resignation.

That Gen. Yu has been a personal non grata with the Japanese warlords is a long known fact. Being a former subordinate of Gen. Chang Hsueh-liang he can not be looked upon by the Japanese Army as a desirable person to hold a very important office in North China. His courage in dealing with many Japanese-instigated incidents in Tientsin and his defiance against Japanese dictation have further incurred the Japanese displeasure. Thus he represents a thorn in the Japanese sides, and, to quote Gen. Yu's own words, is "the first on the list" of those Chinese officers whom the Japanese warlords are determined to oust because of "their opposition to Japan's ambition."

While the Japanese warlords may be adepts in inventing make-believe charges, they, however, can not blindfold the world from seeing their absurdity. In regard to the alleged assistance given to the small band of bandits under Sun Yung-chin, it must be remembered that these bandits had their original base of operation in Jehol, which is now under the Japanese control. The Japanese Kwantung Army with its powerful military machine could easily annihilate this small band with ease, if it should find the presence of these bandits in Jehol undesirable. It is really incomprehensible that they should launch a punitive expedition against them only after permitting them to draw a free pass into the Luantung Demilitarized Zone. This state of affairs can not be other than a Japanese trick aiming at creating a pretence to justify their military action in the demilitarized zone and their charges against several Chinese officers in North China.

The same can also be said as to the murder of two Chinese newspapar editors in Tientsin. The murder occurred in the Japanese Concession, which is beyond the rule of Chinese administration. The Japanese Police, who should be responsible for the safety of the life and property of every resident in the Japanese Concession, must prove either totally inefficient or grossly negligent of their duty in permitting two Japanese proteges to be murdered almost in close succession. To hold Gen. Yu responsible for the murder would be tantamount to the folly of blaming the Chinese authorities for the disappearance of Kuramoto in Nanking last year. This blank charge supplies us with another instance to prove the subtlety of Japanese warlords in making use of anything as their pretence for harassing the Chinese officers.

What are the alleged Chinese plots in Manchukuo are still to be explained by the Japanese warlords. The Chinese people in Manchuria can not be expected to be content with an alien rule, and it is only natural that many of them should be engaged in secret activities with the hope of freeing them from their present yoke. Their fervor of patriotism has driven them to seek their freedom without the need of instigation and assistance of Chinese authorities in North China. To attribute all the woes of Manchuria to the authority of Chinese officers has not only given them too much credit which they do not deserve, but also underestimated the intelligence of Chinese people in Manchuria.

The Smoke Screen of the Japanese War Lords

The smokescreen thus created by the Japanese warlords, therefore, can not fool anybody, when the world has been long acquainted with their tactics. Putting two and two together, we are safe to say that what the Japanese warlords are really after is nothing short of attempting to establish a political hegemony in the areas north of the Yellow River as a first step to incorporate North China into Manchukuo. To that end, they are now determined to kick out all the Chinese soldiers from North China and to "purge" the Chinese administration in North China on Japanese lines.

Therefore it is not strange that the Japanese Army should demand transfer of all troops under the direct control of Nanking or belonging to generals formerly owing allegiance to Gen. Chang Hueh-liang from North China, abolition of the Peiping Chinese Gendarmerie Headquarters and maintenance of peace and order in Peiping-Tientsin area by means of Peace Preservation Corps and Militia. Our past experience with the Luantung Demilitarized Zone has told us that the so-called demilitarized zone is but a Japanese controlled area under another name. Therefore the extension of the demilitarized zone over the Peiping, Tientsin area is, ipso facto, the extension of Japanese controlled areas in North China. Likewise, it is easily understandable that they should demand the removal of Gen. Yu Hsueh-chung and other officers who have refused to take their orders, so as to make the Chinese administration in North China another Japanese puppet.

The acceptance of these demands by the Chinese Government may temporarily tide over the present crisis in North China, but will not put a stop to the policy of aggression which has been relentlessly pursued by the Japanese warlords. The abject submission on the part of the Nanking officialdom will only stiffen the attitude of Japanese jingoisits and encourage them to put up even harsher demands in future. We shall not be surprised at finding that after a few days of comparative peace, the Japanese Army will find new pretences to thrust new demands upon the Chinese Government. It is no exaggeration to say that before long the whole of China will be included in this demilitarized zone. In a word, as long as the Japanese Government is under the rule of the Japanese Army, so long will China not have a day of peace, and Sino-Japanese relations can not be improved in spite of the painstaking efforts of Chinese and Japanese diplomats.

PEIPING-LIAONING RAILWAY

ABRIDGED TIME TABLE

1st July, 1934 and until further notice.

DOWN TRAINS									MAIN LINE STATIONS		UP TRAINS							
41 Slow D 1 2 3	301 Ex. S D 1 2 3	1 Ex. S D 1 2 3	305 Ex. S D 1 2 3	23 Fast D 1 2 3	5 Ex. D 1 2 3	21 Ex. S D 1 2 3	3* Ex. S D 1 2 3				302 Ex. S D 1 2 3	22* Fast D 1 2 3	42 Slow D 1 2 3	4 Ex. S D 1 2 3	24 Fast D 1 2 3	2 Ex. S D 1 2 3	306 Ex. S D 1 2 3	6 Ex. D 1 2 3
5.45	15.05	8.45	18.50	13.15	16.30	20.15	10.55	dep.	Peiping - - -	arr.	10.24	11.29	17.55	18.42	23.17	9.18	8.19	11.50
6.20	15.36	9.13	19.20	13.46	—	20.48	11.24	,,	Fengtai - - - -	dep.	9.54	10.55	17.21	18.15	22.48	8.47	7.49	—
7.45	16.40	10.21	20.26	15.01	—	22.08	--	,,	Langfang - - -	,,	8.50	9.26	15.43	—	21.34	7.45	6.43	—
9.16	17.50	11.28	21.39	16.30	19.07	23.38	13.32	,,	Tientsin Central	,,	7.40	8.03	14.14	16.05	20.11	6.39	5.30	9.15
9.25	17.59	11.36	21.48	16.39	19.15	23.47	13.40	arr.	Tientsin East -	dep.	7.30	7.50	14.00	15.55	20.00	6.30	5.20	9.05
9.35	18.20	11.50	22.20	16.55	—	24.00	13.50	dep.	,, ,,	arr.	7.05	7.36	13.46	15.40	19.50	6.15	4.50	
10.38		12.47		18.03	Stop	1.10	14.47	,,	Tang-ku - - -	dep.		6.31	12.46	14.45	18.51	5.11		
11.46		13.45		19.08		2.18	15.40	,,	Lu-tai - - - -	,,		5.26	11.41	13.48	17.43	4.08		
12.52	FOR SHANGHAI	14.42	FOR PUKOW	20.11		3.32	16.39	,,	Tang-shan - -	,,	FROM SHANGHAI	4.15	10.30	12.50	16.37	2.58	FROM PUKOW	
13.39		15.17		20.47		4.20	17.14	,,	Ku-yeh - - -	,,		3.30	9.44	12.18	16.05	2.16		
14.29		15.49		21.21		5.12	17.46	,,	Lanhsien - - -	,,		2.32	8.45	11.39	15.22	1.18		
15.32		16.31		22.11		6.18	18.28	,,	Chang-li- - - -	,,		1.29	7.40	10.58	14.37	0.19		
16.16		17.04		22.46		7.07	19.01	,,	Pei-tai-ho - - -	,,		0.39	6.54	10.27	14.00	23.31		
16.43		17.23		23.08		7.33	19.20	,,	Chin-wang-tao -	,,		0.01	6.25	10.04	13.35	22.59		
17.05		17.40		23.26		7.55	19.37	arr.	Shan-hai-kwan -	,,		23.30	6.00	9.45	13.15	22.30		
		18.40						dep.	,,	arr.						21.26		
		16.25						arr.	Shenyang (Mukden)	dep.						10.15		

S. D.—Sleeping and Dining Cars. D. Dining Car.

Refund of Fares :— Passengers must get Station Master to endorse ticket in connection with which they intend to claim refund.

No. 3 and 22* Temporary suspended.

Tientsin, 1st July, 1934. BY ORDER.

How the Japanese Viewed a Proposed Szechuen Trip by Cadogan

Sir Alexander Cadogan, newly appointed British ambassador, is scheduled to present his credentials in Nanking June 15. It is intimated that he may later on fly to Chungking and make a trip through the gorges on the H. M. S. *Bee*, but with a visit back to Peiping in the interval. Sir Alexander's trip to Szechuen had been announced to take place early this month, when it was also stated that he would see Gen. Chiang Kai-shek—a statement which attracted much attention in Japanese circles.

The *Shanghai Mainichi*, early this month when it was stated that Sir Alexander would be visiting Szechuen and seeing General Chiang Kai-shek at the same time, said that under present conditions, the British will not foster a strong anti-Japanese campaign in the Far East and therefore it is expected that General Chiang Kai-shek would organize a program for the gradual fulfillment of the Japanese demands.

The *Tokyo Jiji* May 29 commented that Great Britain is hastening to lay railways or extend existing railways in China in an effort to stop Japan's advance, recover from her lateness in getting started and protect her rights and interests in the Yangtze district, and has come forward to promote her influence in China.

Commenting on British activities in China, the *Tokyo Asahi* commented that Britain's proposal to grant a loan to China jointly has fallen through owing to America's lukewarmness and Japan's opposition, but it is a well-known fact that Sir Alexander Cadogan, the British Minister in China, made special endeavors over the proposal, holding repeated conferences with the Nanking authorities. Recognizing the difficulty of joint help to China, Britain seems to be pushing on her plan for separate and independent assistance. Thus, (said the *Asahi*) she is aiding the policy of the Central Bank of China for the control of sales of foreign currencies, through the Hongkong & Shanghai Banking Corporation.

Black Fever Epidemic in Northern Kiangsu

Reports from many places in Northern Kiangsu indicate a growing epidemic of black fever (kala azar). In Tungshanhsien city alone these are about 540 cases. The number of people affected in the district of Peihsien totals 1,750, in Suining 584, and in Fenghsien over 400. About 40 cases are reported daily from the district of Hsiaohsien. More than 300 cases have occurred in the districts of Tangshan and Paihsien.

$2,000,000 as Reserve Relief Fund

Decision was reached at the Central Political Council meeting in Nanking June 5 to set aside a sum of $2,000,000 from the budget of the new fiscal year as reserve relief fund for refugees of natural calamities, such as drought, famine, flood, etc.

The Shanghai Drought Relief Association June 4 remitted another sum of $60,000 to Wuhu towards the promotion of labor relief in Anhwei province.

Crops in Chienan Hsien (Hopei) have been completely destroyed by the prolonged drought.

Flood waters in the low-lying areas of Foochow subsided June 5. Communications in the city have now returned to normal.

Water has risen to the height of 23 foot at Fu Ho, in Kiangsi Provincial Government.

Advices from Hsuchow state that with the exception of Suining and Peihsien, most of the districts in the Hsuchow Area, northwestern Kiangsu, are reaping a bumper spring crop. The Shanghai Commercial and Savings Banks, the Farmers Bank of China, and the Kiangsu Farmers' Bank are establishing agencies in the districts to extend loans to the farmers.

New Drive to Raise Silver Prices in United States

Senator Patrick A. McCarran, from Nevada, has called a meeting of the silver bloc in the United States with a view to resuming immediate agitation to force the price of the metal to $1.29 an ounce, and to combat rumors that the Treasury is contemplating a change in its silver policy.

Bank of England Asks Banks and Brokers to Cease Forward Dealings in Gold

The Bank of England, June 8 circularized all London banks and bullion brokers requesting them to refrain from forward dealings in gold, on account of speculation.

Hongkong Restricts Silver Exports

Restrictions on the export of silver from Hongkong were announced in an order published in the Government Gazette June 8. The order states that "No person, after midnight June 15, except under a special export permit granted at the discretion of the Superintendent of Imports and Exports, shall export from the Colony to any country or place other than China, any silver coin minted in China or any silver bullion other than silver bars which are the product of refineries outside of Hongkong and China."

Pan-American "Oriental Clipper" Making Test Flight to Midway Island

THE *Oriental Clipper*, the giant plane which is to be used in the trans-Pacific air-line from San Francisco to Manila and Canton, was due to start on a test flight to Midway June 12 or 13. The *Clipper* made a number of test flights recently in the United States, the most sensational of which was that which ended with a "blind" landing at Alameda, California, June 8. An eye witness to the flight could not tell from the *Clipper*'s performance that it was landing with its pilot, radio operator, flight officer and navigator all unable to see the sky, the water, or anything except the ship's instruments. After the giant ship took off, curtains resembling window blinds were pulled down and completely covered the cockpit, only Cannady, Junior Officer at the dual control, remaining at a point where he could see.

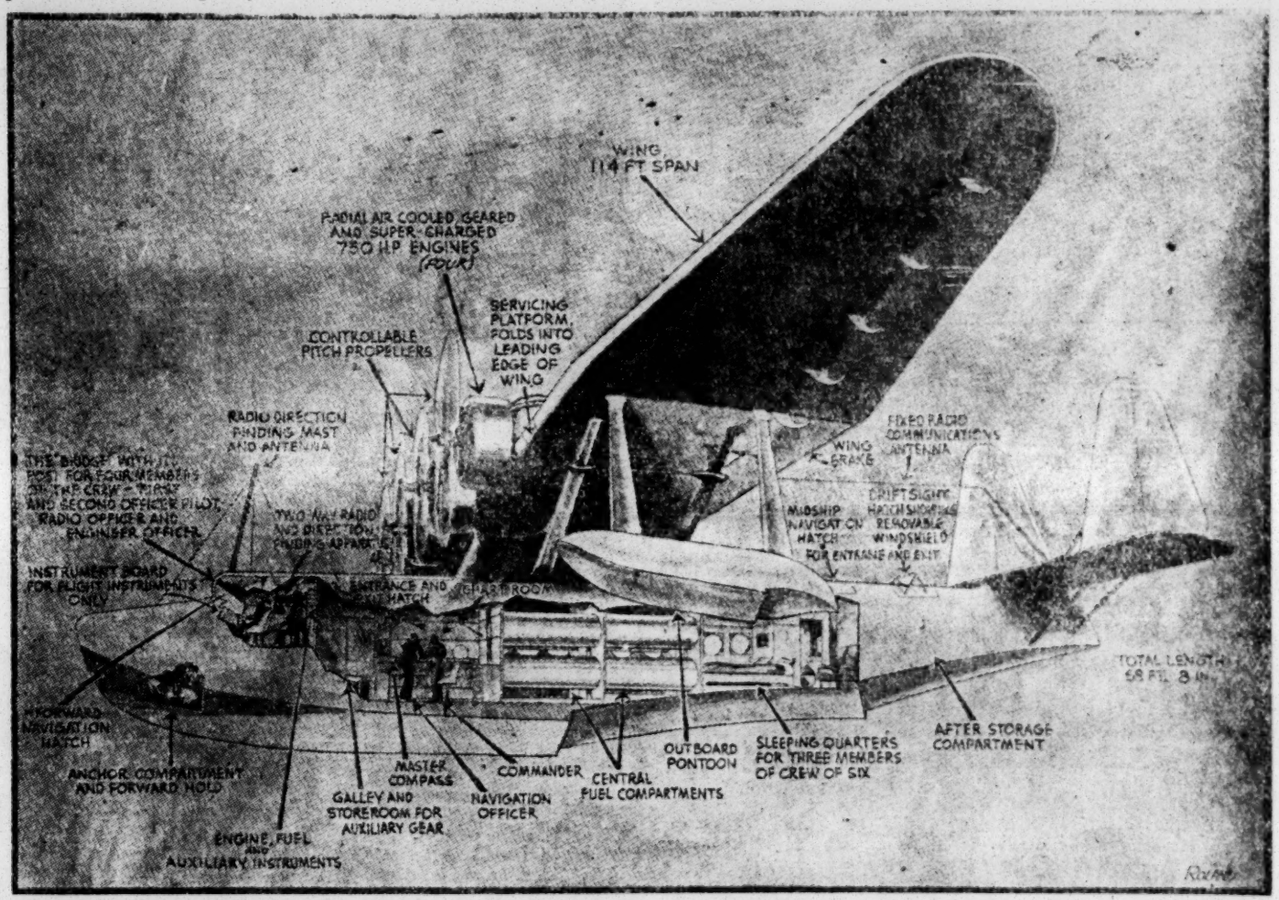
The *Clipper* then flew out to sea 150 miles, to a point where the "fog belt" begins. Then, despite the fact that there was a blue sky overhead, the crew simulated a landing at zero visibility. The ship then hurtled toward the shore, its radio compass keeping it on a true course. The plane circled lazily and made a perfect landing at the starting point of the flight in Alameda, as above stated.

The construction and equipment of the *Clipper* are eminently suited for the purpose in view, the auxiliary gasoline tanks, which gave the plane a capacity of 3,500 gallons of gasoline and oil in wing, cabin, and float tanks, are shown in the center cabins. One-half the forward cabin is also filled with tanks, the other being the chart room shown in the sketch. The wing brake, which is really an enormous flap extending from aileron to alieron on the wing, cuts the landing speed from 90 to 65 miles an hour. By depressing the flap only 25 degrees of its total range of 45 degress, the takeoff distance is reduced by 20 per cent. The engines are Pratt & Whitney Hornets, each of nine cylinders and each weighing 980 pounds dry. Each consumes 33 gallons an hour, which gives the plane, with full tanks, a range of 3,100 miles, or 700 more than the distance on the California-Hawaii hop. They are geared so that the propellers turn only twice while the engine crankshafts turn three times. The cylinder compression ratio is 6 :1, and superchargers maintain the carburetor manifold pressures at 10 :1.

The propellers are two-position controllable screws instead of the automatic "constant speed" variables. These-crews are 11½ feet in diameter and have a low, or fine pitch, position for takeoff and a high, or coarse pitch, for cruising.

Unlike the liners on the domestic air lines, the pilot of the Clipper operates only his aileron and rudder controls and has before him on the instrument board only the flight and navigation instruments. The throttles for the four motors and the pitch controls for the propellers are set at the rear of the "office" and are operated by the engineering officer at the pilot's command.

The new service, once it starts regular operation some time this autumn, will reduce to 75 or 84 hours the month or more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SLEEPING QUARTERS FOR THREE MEMBERS OF CREW OF SIX
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ENGINE, FUEL AND AUXILIARY INSTRUMENTS

Pan American "Clipper" with equipment for the experimental flights over the trans-Pacific air line. Cabin and hull are cut away to show interior fittings, crew quarters, and the control room.

now required to send mail and express shipments from New York to the Philippines and the Orient. Rapid movement of mail will enable offices in New York, now communicating with branches and customers in the Far East by cable, to save thousands of dollars annually in tolls, American exporters state.

Businessmen in the United States predict that the Pacific Clippers will be carrying capacity loads of freight within a few months or weeks after the Pacific line is established. When air transportation with South America by the Pan American lines was opened, it took several years to realize the possibilities and limitations of air shipment. The Pacific line, they explained, will not be handicapped by "missionary" work, such as was necessary in getting shippers to use the Latin-American airways.

The Pacific airliners, when in regular operation, will duplicate the performances of air liners now traveling between the United States and countries of Latin America, it is predicted. Style goods, motion picture films, samples of raw commodities, and replacement parts needed to make emergency repairs on machinery in place in South American countries, form the bulk of the 15,000 to 20,000 pounds of goods which now move in and out of the United States by air lines to Latin American each month. Weight and space limitations of the air clippers preclude the movement of bulk goods as a regular part of the freight loads of the air liners.

To the textile trade, battling competition with Japan in all points of the Pacific, the opportunity for shipping samples of

new cloth to foreign buyers in the Far East and getting orders back before the goods can be copied by foreign producers forms a major appeal of the Pacific air line, it is said.

Floating Docks at Mid-Pacific Bases

Each base in the Mid-Pacific has been built on the shores of a lagoon, which serve as landing places. A floating dock leads to the shore.

Navy Maneuvers Suddenly Cancelled ---U.S. Fleet Returns to San Diego

A dispatch from the U.S.S. *Pennsylvania*, at sea June 7, stated that in the midst of one of the most elaborate demonstrations of modern warfare, Admiral Joseph M. Reeves, Commander-in-Chief of the United States fleet, sent out a surprise message cancelling all maneuvers. No reason was given for the action.

The fleet immediately set sail for its home base at San Diego. The 130 surface craft and more than 300 airplanes, which participated in the maneuvers, which are expected to determine much of the nation's future naval policy in the Pacific, engaged in a final formation in the air and water.

Fuelling craft and service ships preceded the main fleet into San Diego. After them came the twelve-mile-long column of eleven battleships, seventeen cruisers, 52 destroyers, five submarines and four aircraft carriers. The 300 planes of the fleet soared over the city of San Diego and its California-Pan Pacific exposition in a mass flight.

A message to the *New York Times* from the U.S.S. *Pennsylvania* May 18 stated that Fleet problem XVI was to be solved in the maneuvers. It was indicated that in general efficiency, discipline, training and fighting strength, the U.S. navy is now at a peak that it has rarely, if ever, previously attained. Under the leadership of Admiral Joseph M. Reeves, commander-in-chief of the United States fleet, the fleet has developed into what is intended to be—a fighting machine. Especially noticeable is the change in training emphasis. Now all units are welded into a vast machine instead of a matter of competition between individual ships. The motivating idea is "one for all and all for one."

In all kinds of flying—in diving, bombing and in carrier operations, in the recovery and handling of planes—the flying fleet has become almost letter perfect. The battleships have learned to operate together with extreme precision. The tactics of cruiser operations both with the fleet and on detached missions have been developed, and the submarines, minesweepers and other types have been integrated, even more carefully, into the scheme of the whole.

No Significance in Dispatch of U.S. Ships to North China

The American destroyer *Stewart* arrived off Tangku June 8.

The U.S. Navy Department June 9 denied that the movement of a destroyer squadron to Tientsin and a submarine flotilla to Chefoo was in any way connected with the present crisis between China and Japan. The ships, it was pointed out, were ordered to those ports for summer gunnery practice long before the present trouble in North China broke out.

Admiral Standley Recommends Increased Annual Replacement of Warships

Rear-Amiral W. H. Standley, U.S. Chief of Naval Operations, aboard U.S.S. *Pennsylvania*, June 8, declared that the yearly replacement of thirteen to fifteen ships was desirable.

West Point Cadets Enrollment to Be Increased to 1,919 Men

A bill increasing the number of cadets at West Point was signed June 7 by President Roosevelt. The bill adds 545 new recruits and raises the total West Point enrollment to 1,919 men.

Netherlands and Portgual Also Fear Japanese Aggression

John Steele, writing from England, to the Chicago *Sunday Tribune* May 12, said that when Japan broke up the London naval conversations and declared that after denouncing the Washington treaties she intended to build the navy she thought she needed for her security in the Pacific, she drove America and the British empire into even closer relationship in Pacific affairs than they had been before. She also brought into the picture two other nations—the Netherlands and Portugal—which for generations have not been regarded as naval powers of any consequence but which may now cut a very important figure in maintaining white power in the Pacific. The Netherlands from the beginning of Japanese aggression in the Pacific have been alarmed for the safety of their possessions there. She is also aware that in Europe she could not defend herself against either Germany or France should either of these powers wish to absorb her. Her policy, then, has been to tie up to the one disinterested power,

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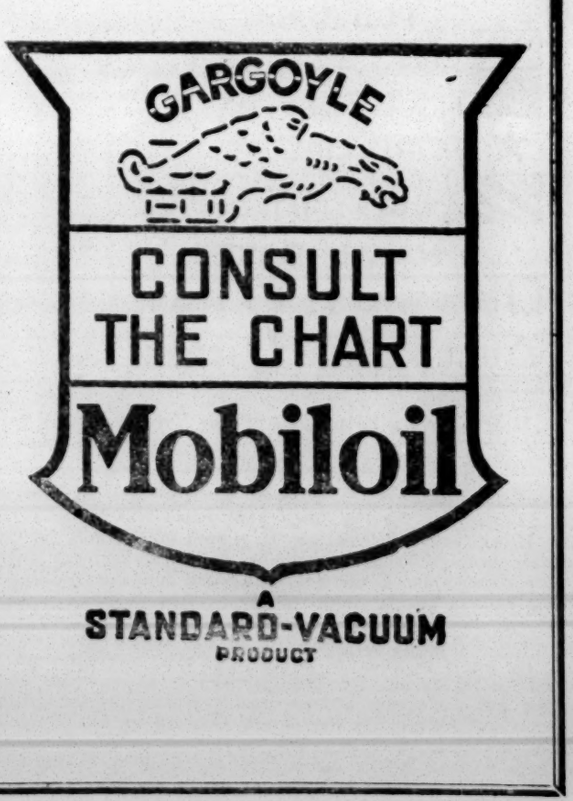

Map Showing Possessions of the Various Powers in Asia and Asiatic Waters—All European Possessions in This Area Are Threatened by Japan's Rapid Expansion.

or rather the power whose interests are the same as hers both in Europe and the Far East. That power is Britain.

Britain cannot increase her navy until the Washington treaty expires. Portugal is not a party to that treaty and can build as many ships as she likes. She has begun doing so, and they are being built in British yards. It is perhaps also a coincidence that the ships planned or building are fast, light cruisers of a type that would be very useful in the Far Eastern archipelagoes.

No secret is made of the fact that these new ships are destined for the Pacific, for Portugal is also an important Pacific power and has reason at least equal to Holland to fear Japanese aggression. Accordingly she is now planning to fortify the rich island of Macao, and the plans are said to include docks great enough to take bigger ships than any likely to belong to the Portuguese navy.

Japanese Try to Get Hold of Philippine Chromite Supply

Judge John W. Haussermann, president of the Balatoc Mining Company and the Benguet Mining Company in the Philippines, on whose properties huge chromite deposits have been located, in a recent interview given in the *San Francisco Examiner* described the methods by which Japanese interests are seeking to tie up the entire potential chrome production.

He said, among other things, that Japan, by every device of friendly commercial pressure, is trying to get exclusive rights to one of the most important sources of war material in the world—the vast chromite deposits recently uncovered in the Philippine Islands.

Japanese Admiral Makes Amazing Speech on National Defence

Admiral Takahashi, Commander-in-Chief of Japan's Combined Squadron, made an amazing speech on national defence at a public meeting organized by the National Defence Research Society of the Keio University and held at the Servicesmen's Hall in Tokyo, during the latter part of May. In his speech, the Admiral said that just as the Russo-Japanese War was traceable to the Three-Power Interference at the end of the Sino-Japanese War, the national crisis of 1935 and 1936 may be traced to the Washington and the London Treaties. When these treaties were signed, the whole nation was permeated with the idea of subservience to Western Powers. The development of Japan's national rights and interests abroad was held in check. These circumstances at home and abroad combined to foster in the Chinese mind contempt for and hostility to Japan, culminating in the outbreak of the Manchurian affair in September, 1931. This incident served to revive the national spirit in the Japanese, and awakened them to their position. They acted with decision, faithful to their convictions, and the withdrawal from the League of Nations and the denunciation of the Washington Treaty resulted. They are pursuing their policy with unswerving determination and undiminished energy, bent on the development of the national destiny. At the same time, they are endeavoring to cultivate friendship with China and with Soviet Russia, as well as with Manchukuo, with a view to contributing to world peace, the admiral said.

Since the Manchurian affair, he said, the Japanese troops have fought gallantly on the plains of Manchuria with brilliant successes, undeterred by foreign protests and threats. That they could uphold their determined attitude all along was, no doubt, due to the Imperial virtues and the national unity, and in no small measure this was due to the presence of a strong Japanese navy in the background.

Among other things Admiral Takahashi also said: "The Powers are devising all kinds of measures to check Japan's economic development. At the time of the Manchurian affair, they bitterly denounced Japan as the disturber of Far Eastern peace, now they are viewing with anything but favor the gradual re-establishment of friendship between Japan and China."

Japan Balks at Expressing Opinion on German Naval Rearmament

Japan does not believe that she is affected by the proposed German naval rearmament proposal and would rather make no comment on the matter unless the Reich's action is detrimental to world disarmament. An official comment to said effect was made in Tokyo June 10 by a spokesman for the Navy Ministry following the receipt of a British request for a formal expression of Japanese opinion on Germany's proposal to build up her navy to 35 percent of the British strength. This would give the Reich a total tonnage of 400,000 tons.

British Warship Attacks Pirates in West River

The British gunboat Oicala drove off five boat-loads of pirates attacking a cargo vessel loaded with munitions in the West River during the evening of June 5. The British warship opened fire with its machine-guns, and lowered a cutter, the crew of which raced against the pirates, scattering them with rifle-fire. The pirates decamped ashore, and the blue-jackets, unable to land on Chinese soil, drew off. The British vessel then proceeded to the nearest Chinese military post and conveyed a number of soldiers to the spot where the pirates had landed. The Chinese troops gave chase and managed to capture a number of the ruffians.

U.S. Not Interested in Intervention in China

A *United Press* message from Washington June 9 stated that Department of State officials privately seemed to relax somewhat as the fear lessened hourly that open hostilities would involve the United States. The U. S. State Department had announced a "hands off" policy as regards the situation in North China, based on the following five points: The lack of clarity as to just how much power the Chinese have actually abandoned. The futile experience the Government had in protesting against the Japanese occupation of Manchuria. The view that some other Government should take the initiative, if any is taken. The growing tendency to allow China and Japan to solve their own problems. American interests are not sufficently affected to warrant employing force which would be necessary in order to change the Japanese program in north China.

Canton Dealers Boycott Siamese Rice

The first active step taken by public organizations in Canton in its movement against the oppressive policy adopted by the Siamese Government against Chinese nationals there was a decision reached June by 6 rice dealers in Canton to boycott Siamese rice.

A Siamese Inspection Party, composed of 17 members, arrived in Peiping from Mukden June 5. It was recently in Japan.

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Chiang Kai-shek's Troops Move North

(*From the Review's Correspondent at Hankow*)

ACTIVE movement of Chiang Kai-shek's troops northward from Hankow was reported by eye-witnesses arriving from the north the past few days. Huge trainloads of well-groomed soldiers are heading for the area north of the Yellow River. Sent north ostensibly to fight the Reds in Shansi, there is every likelihood that they may also be useful should an open break occur with the Japanese military now seeking to cow the Chinese officials in Tientsin and Peiping. Several trains have left and the Hankow bund on Sunday last witnessed the arrival of hundreds of cavalry units by boat. Whether they are bound for the north could not be ascertained.

Suiyuan Provincial Chairman to Confer with the Generalissimo

It is very significant that the Suiyuan provincial chairman should be coming south to Hankow en route to confer with the Generalissimo Chiang Kai-shek. The Japanese may not even be satisfied with the province of Hopei, but may even now be casting longing eyes on the provinces west of Peiping. Their vision is broad enough, that is sure, and if it is done in the interests of preserving the Japanese nation, that motive will be strong enough to override any consideration of the lawful rights of the Chinese nation. Once you have a fait accompli, it seems to be very easy to find proper excuses to bolster up the act and to make it look quite moral. If only the welfare of the Japanese nation were to be take into consideration, they would be perfectly right.

Chinese Editorial on Japanese Military Department in Tientsin

Commenting on the episode of May 30, 1935, when some two hundred Japanese troops and two armored cars and a tank manoevred within the inner court of the Provincial Government of Hopei, the leader in the *Hankow Herald* (Chinese-owned English daily for June 4) states:

"It will be recalled that on April 17 last year, the Gaimusho through four of its agents at Washington, Geneva, and elsewhere gave the world to understand that it objected to the technical cooperation between the League and China. They objected further to the effort of some of the U.S. citizens in selling to the Chinese government aeroplanes, in consenting to be instructors in Chinese aviation schools, and in teaching Chinese aviators the tactics of aerial warfare. Ambassador Saito was very emphatic in his interview with a representative of the *U. P. . . .*" Hirota was the most outspoken, declaring that "in any future dealing with China, Japan's right to have the first and the last word should be clearly recognized by the Powers."

China Punished for Being Too Kind to American Mission

In conclusion the editorial winds up by maintaining that the Japanese military clique is now demonstrating in north China for two reasons. The one is to convince the world of the superiority of the Japanese military power over the diplomatic, which has just won a great victory in the elevation of their legation in Peiping to an embassy. But the chief reason is "to impress in a firm and unmistakable way on our nation the lack of wisdom of a policy of fooling with the U. S. Mission."

Marshal Chang Flies to Chengtu to Confer with Chiang Kai-shek on North China

The air is full of rumors about north China. Again it is firmly asserted that the Japanese are now ready to take over north China as far south as the Yellow River. Many things tend to confirm the conviction.

Marshal Chang, upon receiving an urgent call from Chiang Kai-shek, flew to Chengtu June 2. The Young Marshal was accompanied by the Living Buddha of Sikong, Nona.

After the conference the Marshal flew back to Wuchang in order to confer with his colleagues here, Gen. Ho Chen-chun and Gen. Hsu Yuen-chien.

Hupeh Chairman Visits Kikungshan

Later Gen. Chang Chun, chairman of the Hupeh provincial government, went to Kikungshan, the summer resort located 125 miles north of Hankow on the Peiping-Hankow railway, to arrange for the government administration of the resort, i. e. the Business Valley. The Missionary Valley lies in Honan province and is responsible to the Honan provincial authorities.

It may be that the military situation also had something to do with the northward journey of Chairman Chang. There may be some arrangement in connection with the policing of the Peiping-Hankow railway line, which is jointly patrolled by Northeastern troops and Chiang Kai-shek's troops.

Reds Menacing the Northwestern Part of Hupeh

Reports from cities in the northwestern part of Hupeh elicit the information that the Reds are beginning to menace the outlying districts of many counties. Not bold enough to capture any county seat, the Reds content themselves with looting and burning of villages and market towns. Around the cities of Fancheng, Taipingtien, local bands of robbers are active again this summer. Roaming Russian beggars are becoming quite a nuisance, and some of the missionaries strongly suspect them of being Red spies and agents. The government troops have been depleted by the heavy drain because of transferring of soldiers to other areas. No doubt new measures will be devised to deal with this situation, which is serious, although not at present alarming.

Sino-American Trade Council for Hankow

The Hankow Chinese Chamber of Commerce June 7 received a telegram from the American Economic Mission, now in Shanghai, requesting the Chamber to organize a branch of the Sino-American Trade Council in conjunction with the local American Chamber of Commerce. The Chinese Chamber is holding a meeting soon to discuss the matter.

Hankow, June 11, 1935.

Chinese Allegedly Promise to Punish Customs Cruiser in Amoy Incident

A *Reuter* message from Taihoku June 8 stated that a promise "severely to punish the Customs cruiser *Chuentiao* and to restrict its powers of surveillance," was contained in the reply received from the Chinese authorities to the Japanese protest regarding the *Chuentiao* incident. The Japanese protest charged the *Chuentiao* with having "fired on, stopped, searched and confiscated the cargo aboard the *Dai Ichihojo* Maru on May 9."

A dispatch from Amoy June 6 stated that no progress has been made in the negotiations between the Chinese Customs authorities and the Japanese Consulate regarding the incident.

Shanghai Customs Seizure Allegedly Made Outside Jurisdiction

Complications have arisen as the result of a seizure by a Chinese Customs speed-boat *Kwan-Wei* of 500 bales of artificial silk in the Yangtsze Mouth area on June 11 on board a Japanese "puff puff". Barend F. Burger, a Customs employee who was until June 7 in command of the *Kwan-Wei*, has made an affidavit at the Japanese Consulate that the seizure was made outside of Chinese teritorial waters, the report as made out previouly misrepresenting this fact.

Filipinos Seize Japanese Fishermen in Dispute Between Rival Companies

Several Japanese fishermen, employes of a Philippine fishing company, were arrested by constabulary May 27 as the climax of a dispute over fishing rights in Malampaya Sound on the island of Palawan. The dispute is now being contested in court between two rival fishing concerns. The Japanese who were arrested are residents of the Philippines.

Ministry of Education Orders Revision of Text of School Books

The Ministry of Education has issued a circular notification to publishers to make preparations for the revision of middle and primary school texts, whose period of use, officially set by the Ministry, will shortly expire. All revised texts, the order instructs, should be submitted to the Ministry for approval three months before the expiration of the present period.

The Ministry of Education, in a circular dispatch June 7 to the Board of Trustees of the China Foundation for the Promotion of Education and Culture (American), the Board of Trustees in charge of the British Boxer Indemnity Refund, and the Sino-French and Sino-Belgian Commissions in charge of the Boxer Refunds, urges them to remit their quota for the 24th fiscal year beginning July, towards the promotion of free education. Although the beginning of the next fiscal year is fast approaching, the Ministry states, only $50,000 of the $800,000 allotted has so far been received from the Board of Trustees in charge of the British Boxer Indemnity Refund.

Soochow Comparative Law School to Be Retained

Official sanction for the retention of the Soochow Comparative Law School in Shanghai has been given by the Judicial Yuan. The School is part of the Soochow University.

The various sections of the National Committee for the Enforcement of Children's Year met at Nanking June 8 to consider measures for the promotion of health among children and the organization of child welfare organs.

The Shensi Provincial Government is building a large stadium at Sian to encourage the development of sports and physical culture. The stadium is to be completed by the end of September.

Air Defence Exhibition Held in Nanking

Before a crowed of over 20,000 people including Party and Government officials and representatives of the Provincial and Municipal Governments and local public bodies, the Air Defence Exhibition, sponsored by the Nanking Air Defence Commission, was formally opened at the Public Recreation Ground in Nanking June 6. Pointing out the significance of the Exhibition, General Yang Chieh, Chairman of the Air Defence Commission and concurrently Assistant Chief-of-Staff of the National Army, said that although an Air Defence Publicity Week and anti-air raid maneuvers were held last year, they were hardly sufficient to educate the people in air-defence. In accordance with the instructions of General Chiang Kai-shek, therefore, the Exhibition is being held in Nanking for the purpose of arousing greater public interest and acquainting the masses with proper air-defence knowledge.

Other speakers included General Tang Sheng-chih, Director-General of Military Training, and Chang Tao-fan, Vice-minister of Communications. After the conclusion of the ceremony, the exhibition was thrown open to the public. Air defence demonstrations were then performed by a squadron of airplanes over the athletic ground.

Chinese Provincial Authorities Are Instructed to Protect Disabled Airplanes

An order was issued by the Nanking Authorities to the Provincial and Municipal Governments June 9, instructing them to accord all possible protection to airplanes and their pilots, who are forced down on account of inclement weather or other mishaps.

British Air Service to China Discussed in House of Commons

The question of a British air service to China was discussed in the House of Commons June 6, when Sir Philip Sassoon, Under-Secretary of State for Air, stated that the question of an experimental service to Hongkong in connection with Imperial Air services was being examined.

Japan Plans Huge Aviation Concern—Will Use Zeppelins

In a bid for a share of the international air traffic, a group of prominent Japanese financiers June 5 announced the completion of plans for the formation of a Yen 35,000,000 aerial transportation concern. If the plans are approved by the Ministry of Communications, the lines operated by the projected firm will link Tokyo with San Francisco and Dairen with Siam and French Indo-China. The Tohankyu Airways Company, as the projected concern will be known, will use Zeppelins.

Preparations Rushed for Japan-Formosa Air Line

Recent Tokyo messages stated that preparations for the inauguration of air mail and passenger service between Japan proper and Formosa next January are being rushed to completion by the Aviation Bureau of the Ministry of Communications.

Japanese Navy Plane Catches Fire in Mid-Air

A naval battle-plane belonging to the Tateyama Naval Aircorps caught fire June 6 in mid-air off Tateyama and crashed. The pilot escaped uninjured by means of his parachute.

Mexican Minister to Tokyo Is Refused Loan of Airplane

The *Kokumin* May 31 related that the new Mexican Minister to Tokyo, who has the record of having piloted an airplane from Chicago to Mexico on a long-distance flight, appeared suddenly at the Asia Aviation School at Susaki the previous day and asked for the loan of an airplane. Told that no one is permitted to pilot a plane alone without an official license, the Mexican Minister could not fulfill his ambition of flying over Japan, but was allowed to enjoy a ride with Instructer Aoyama of the School over the airfield.

Soviets to Join International Aviation League

Agreement was reached on all questions concerning the entrance of the Soviet Central Aeroclub into the International Aviation League during the visit to Moscow of Prince Bibescu, President of the League, last week.

Soviet Workers Contribute Funds to Replace Wrecked "Maxim Gorky"

Tass reports that millions of roubles are coming into the Soviet State Bank, this money having been collected by the workers of the U.S.S.R. for the construction of new giant airplanes to take the place of the wrecked "Maxim Gorky."

New Parachute Record Scored by Soviet Airman

By jumping from a height of 7,226 meters without an oxygen device, the Soviet Airman Kazulya, Honoured Master Of Parachute Sports, recently beat the world record for this feat.

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Chinese Shipping Industry Asks for Assistance

In identic telegrams to General Chiang Kai-shek, and the Ministry of Finance, the Chinese shipping companies last week requested that $10,000,000 worth of bonds be issued for the relief of the Chinese shipping industry. The companies declare that more than 10 steamers are tied up because of the heavy losses sustained in running them, mostly due to competition from Japanese vessels.

N. E. C. to Send Out Five Surveying Parties

Five surveying corps were organized recently by the National Economic Council to inspect and survey the Huai River, the Yellow River, the Yangtze River, the East and West Tachi Canals in Chekiang, and the Taihu Lake in Kiangsu, with a view to improving their channels and the irrigation systems along the valleys.

5,000 Chekiang Highway Laborers Enroute to Szechuen

Five thousand experienced highway workers, enlisted last week from east Chekiang, are now euroute to Szechuen to build the Szechuen-Yunnan and Hunan-Kweichow highways.

The work of reconditioning the highway between Chungpa and Kiangyu, important cities in northwestern Szechuen, has been completed.

The Choukow-Huangchuan Highway, in southern Honan, covering a distance of over 300 li (more than 100 miles), has been completed.

Work is to be started immediately on the Sian-Hanchung Highway project in southern Shensi.

The Sinkiang-Suiyuan long-distance bus company which recently concluded a contract with the Hopei postal administration for the delivery of mail and parcel posts to Sinkiang has resumed operations with eight buses.

National Railway Traffic Conference Comes to an End

The ninth National Railway Traffic Conference, which was opened in Nanking on May 16 under the auspices of the Ministry of Railways, was concluded June 11. The closing ceremony was presided over by Yu Yen, Director of the Traffic Department of the Ministry. With the exception of the regulations governing freight transportation and general traffic, which will have to be further studied, various proposals and recommendations relating to freight rates and passenger traffic were adopted.

Nanchang-Yushan Railway Line To Open October 10

Nanchang, the capital city of Kiangsi Province, and Yushan in east Kiangsi, will be linked by railway on October 10 when the eastern section of the Chekiang-Kiangsi line will be opened to traffic.

Modern Paper Plant Planned for Chekiang

Preparations are under way with the Ministry of Industry for the establishment of a modernized and large-scale paper manufacturing factory to be located in Wenchow, Chekiang, and a silk filature at Hangchow.

The proposals of the Shanghai Students Association for promotion of Native Goods were discussed by representatives of the Ministries of Finance and Industry in Nanking June 8 at a joint meeting.

A petition has been submitted to the Ministry of Communications by shipping merchants, requesting that a fast steamship service be operated on the Yangtsze River between the Capital and Hankow, in order to speed up transportation.

The silk merchants in Chekiang province have petitioned the Executive Yuan for abolition of the Special Tax for the Improvement of Sericulture imposed by the Chekiang Provincial Government.

Simplified Life Insurance System to Start July 1

The system of Simplified Life Insurance, which is to be operated by the Directorate-General of the Postal Savings and Remittances Banks under the Ministry of Communications, will be started on July 1.

Three Thousands Kinds of Irregular Taxes Reported Abolished

Kao Ping-feng, Director of the Revenue Department of the Ministry of Finance at the Weekly Memorial Service of the Ministry at Nanking June 10, reported that more than 3,000 kinds of miscellaneous taxes and exorbitant levies, amounting to over $40,000,000 a year, had been abolished up to the present in 22 provinces and two municipalities.

National Economic Council Establishes Many Rain Gauges and Watermarks

The National Economic Council will establish this year 220 rain-gauge and 130 watermark stations and 55 other stations for determining the velocity of river currents, at a cost of $100,000. Up to date, 780 rain-gauge, 413 water-mark and 156 current-velocity stations have been established in various parts of the country.

Huge Investment Fraud Unearthed in New York

One of the largest investment fraud cases in history, involving over $700,000,000 in real estate securities, is in prospect as a result of an indictment June 8, by a special Federal grand jury, against the New York Title & Mortgage Co. The concern, with five officials, are charged with a mail fraud conspiracy in connection with the sale, before 1933, of so-called guaranteed mortgage certificates.

President Says U.S. Holding Companies Must Be Eliminated

President Roosevelt has declined to yield to the pressure of powerful public utilities companies and certain Congressional factions seeking regulation, instead of elimination, of holding companies as provided in the Rayburn bill. It is understood that the President reiterated his opposition to the principle of mere regulation, at a conference with Senators Burton K. Wheeler from Montana and Alvin Barkley from Kentucky. It is further understood that the President is prepared to intervene personally in the Congressional dispute rather than to permit the destruction of the feature providing for elimination of holding companies.

U.S. Has Record Gold Hoard—Also Record National Debt

The monetary-gold stocks of the Federal Treasury reached the record of $8,916,480,029, June 8, of which sum $52,180,425 arrived recently from France. Between March 4, 1934, and June 5, 1935, all expenditure by the federal Government totalled $15,393,000,000, or nearly double that of a normal period. Income for the same period has been $7,303,000,000, leaving a deficit of about eight billion dollars.

The public debt of the United States at he present time equals $28,783,000,000, which is approximately two billion dollars more than the total expended during the War. Expenditures of all departments of the Federal Government have averaged twenty million dollars a day since the inauguration of President Roosevelt on March 4, 1933, it was revealed.

Frank Murphy Is Asked to Run for Michigan Office

"Oldline" Democrats, headed by ex-Governor William Comstock, of Michigan, have chosen Governor-General Frank Murphy, of the Philippine islands, as their Gubernatorial candidate. It is problematical whether Mr. Murphy will accept, as he is primarily interested in his duties in the Philippines.

U.S. Seamen's Union Secretary Expelled for Calling Strike Without Proper Authority

The Seamen's Union at San Francisco, June 4, expelled Paul Scharrenberg, veteran conservative secretary of the State Federation, because he had called the recent tanker strike without proper authority.

Chinese Consul General in Hawaii Discusses "To-Day's China"

The following are extracts from an address delivered by King-chau Mui, Chinese Consul-General in Hawaii, at the Sojourners' Club, Honolulu, May 1, 1935, on "Today's China."

"The Organic Law of 1928 describes the functions and organization of the National Government which is composed of five yuans or councils. This law is based on Dr. Sun's Five-Power Constitution, which is a combination of the best qualities of many forms of governments in the world. The Five-Power Constitution consists of the Executive, Legislative, Judicial, Examination, and Control Yuans. The different yuans have each a president and a vice-president, many ministers and commissions. The State Council, composed of members of the five yuans, promulgates laws which must be signed by the President of the National Government and countersigned by the President of the five yuans. The structure of the government might be explained thus:

"The Executive Yuan is the most important organ of the National Government and it really exerts the most weighty influence in the running of the government. Such matters as foreign affairs, military affairs, finance, industry, navy, communications, railway, totaling thirteen in all, come under its jurisdiction.

"The Legislative Yuan acts on questions of legislation, budgets, war, peace, international affairs. Its president, Sun Fo, visited Hawaii last summer. The judicial Yuan has charge of all judicial matters. The Examination Yuan provides for a highly efficient system of civil serivce examinations whereby efficient public servants can be chosen for the government. Civil service has been adopted in one form or another by different countries in recent years although the idea was developed by the Chinese many years ago. The Control Yuan has the power of impeachment. The ministry of Audits, which passes over the budgets of other departments, is located in this yuan.

"There is a vast number of commissions and boards which carry on definite types of work. Their names need not be remembered. But, in order to get a good understanding of the Chinese government, is should be remembered that his structure contains the best elements of Western and Chinese governmental methods."

Who's Who in China

Hsiung Chung-tao, Military officer; born at Singkien, Kiangsi province, 1893; joined the Kuomintang 1912; graduated from the College of Military Supply in Peking, 1913; served successively in the supply departments of various regiments, brigades and divisions of the National Army; Chief A.-D.-C. to the Commissary-General of the People's Revoltuionary Army, and concurrently member of the Excutive Committee of the Eleventh Branch office of the Kuomintang party and member of the Codification Committee of the National Government, 1926; sectional head in the Supply department of the Forty-fourth Army, 1927; sub-sectional head in the Commissariat Department of the Heedquarters of the C.-I.-C. the National Army, Navy and Air forces, 1928; Dircetor of the Supply department of the Commissary-General's office of the Eastern Route Army; and Director of the Supply department of the Commissary-General's office of the National Army, Navy and Air forces, 1929; second-class sectional head in the Auditing Bureau of the Supply Department of the Ministry of War; in recognition of his meritorious services, he was commended by Government, 1930; concurrently Director of the Supply department of the Commissary-General's Office of the Bandit-Suppression Force, 1931; Superintendent of the Commissariat Department in the Provisional Headquarters of the President of the Military Affairs Commission at Nanchang, 1933; chief accountant of the Ministry of War, concurrently superientendent of the Commissariate department in the Provisional Headquarters of the Generalissimo at Wuchang, 1935, which posts he still holds; address: Commissariat department, Provisional Headquarters of the Generalissimo, Wuchang.

熊仲韜字經略
Hsiung Chung-tao

態仲韜字經略，現年四十二歲，江西新建縣人，民國二年畢業於北京陸軍軍需學校，民國元年入中國國民黨，歷任師旅團營各級軍需幹部，十五年任國民革命軍兵站總監部主任副官，同時任特別黨部十一區分部執行委員，旋任中央法規委員會委員，十六年任四十四軍軍部經理處科長，十七年任陸海空軍總司令部經理處股長，十八年任東路軍兵站總監部經理處長，同年改任陸海空軍兵站總監部經理處處長，十九年調任軍政部軍需署審核司簡任二級科長，仍兼兵站總監部經理處長，以辦事勤勞，奉令嘉獎，二十年兼剿匪軍兵站總監部經理處處長，二十二年任國民政府軍事委員會委員長南昌行營經理處處長，二十四年任軍政部會計長，三月調兼軍委會委員長行營第二處處長，現仍兼任斯職。

U.S. to Send Financial Expert to China—Japanese Oppose International Conference

A message from Tokyo June 12 stated that Japan is strongly opposed to the convocation of an international conference to discuss China's economic rehabilitation, and believes that the real cause of China's depression lies in the American Silver policy.

A Tokyo office spokesman said the attempt to rehabilitate the economic structure of China hy holding an international conference is a clear indication that the powers concerned still harbor outdated ideas as to the conditions prevailing in the Orient.

A *Reuter* message from London June 10 stated that the decision to send Sir Frederick Leith-Ross, Chief Economic Advisor to the Government, to China in August is the result of lengthy negotiations conducted between the Chinese government and the consortium of foreign Powers for the purpose purpose of placing China's currency on a sounder basis and granting China a big loan if monetary reforms are successful.

Telegrams from the United States June 10 indicated that an American expert would also be sent to China to study financial conditions here.

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In the United States Court for China

ALBERT DELL JOHNSON, Plaintiff,
vs.
ETHEL JOHNSON, Defendant.

Cause No. 3869
Civil No. 1812
ORDER.
Filed at Shanghai, China, June 3, 1935.
William T. Collins, Clerk.
L. T. Kenake, Asst. clerk

The object of this suit is an action for divorce

WHEREAS, plaintiff herein, by his attorneys, has this 31st day of May, 1935, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 1st day of June, 1935, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 1st day of June, 1935, the plaintiff herein filed an affidavit to the effect that the defendant does not now reside in China nor has he resided therein since at any time, and that defendant's last known address was 1924—19th Ave., San Francisco, California, United States of America.

NOW, THEREFORE, it is this 3rd day of June, 1935, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the *China Weekly Review*, a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause her appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occuring after the 22nd day of June, 1935, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

BY THE COURT:

Dated at Shanghai, China,
this 3rd day of June, 1935.

MILTON J. HELMICK,
Judge.

Men and Events

The Nanking Electric Power Works announced this week that its service will shortly be extended to Lungtan, near the Capital.

The National Central University of Nanking commemorated the eight anniversary of its establishment at a meeting held June 9 at the auditorium.

The Fukien Provincial High Court has decided to create a branch at Chuanchow, southern Fukien. The new court will be established on July 1.

Mr. and Mrs. E. C. Lobenstine, who are leaving China June 28, were entertained at a tea given at the home of Dr. and Mrs. Robert E. Lewis, in Shanghai, June 8.

Mr. and Mrs. Wellwood Beall gave a cocktail party in their apartment in the Park Hotel, Shanghai, June 9. Mr. Beall is agent in China is for the Boeing airplane.

Members of the American Economic Mission were entertained by Dr. Esson Gale of the Salt Administration and Mrs. Gale in their garden on Route de Ghisi, Shanghai, June 9.

The British Legation June 8 announced the appointment of Sir Frederick Leith-Ross, chief economic adviser to the British Government, as financial adviser to the British Legation in China.

The National Conference on Inspection and Testing of Commercial Commodities was formally opened in Nanking June 3 under the chairmanship of Liang Shang-tung, Director of the Commercial Department of the Ministry.

Madame Liao Chung-kai, prominent member of the Central Executive Committee, is at present in Canton, where she is arranging for the removal of the remains of her husband (who was assassinated in Canton), to Nanking for state burial.

Seven intercollegiate records were thrown overboard at the National Try-out Athletic Meet held in Nanking June 4 for the purpose of selecting Nanking representatives to the forthcoming National Athletic Meet scheduled to open in Shanghai on October 10.

Dr. Arthur Holcombe, professor and head of the Political Science Department at Harvard University, who is visiting China as an exchange professor at the National Central University, Nanking, is at present on a tour of Manchuria on an investigation tour.

In last week's issue of *The Review* on page 51, through an oversight the name of the U. S. District Attorney was wrongly given. As a mater of record it is here stated that the District Attorney is Felthan Watson. The U. S. Marshal is Edward L. Faupel.

Dr. Arthur N. Young, advisor the the Chinese Ministry of Finance, and Mrs. Young, gave an At Home at their Route Ghisi home in Shanghai June 11 on the occasion of the celebration of their twentieth wedding anniversary. Two hundred guests were invited.

Mei Sze-ping, Magistrate of the Kiangning (Nanking) Experimental District, was sworn into office at Nanking June 3 as concurrently Special Administrative Commissioner for the Kiangning Area and Commander of the Peace-Preservation Forces for the 10th Area.

Li Hsien-keng, Managing-Director of the Canton-Shaokwan Section of the Canton-Hankow Railway, who is now visiting Shanghai June 6 telegraphed to Lin Yun-kai, chairman of the Kwangtung Provincial Government submitting his resignation from the post.

Copies of the annual report of the International Telephone and Telegraph Corporation (of which the Shanghai Telephone Co., is a subsidiary) for 1934 have just reached Shanghai. It shows a net income for the year of $2,079,570, as against $694,-126 in the year 1933.

Ten members of the New York Garden Club, headed by Mrs. Clement S. Houghton, arrived in Shanghai June 7 from Peiping. These ten are part of a group of 118 members of the Garden Club who arrived in Japan May 13. Some of the party has gone on to the Netherlands Indies.

A delegation of eight, representing the Chinese Medicinal Supplies Association in Shanghai, proceeded to in Nanking, June 7 to petition the National Health Administration for a revision of the regulations recent promulgated by the Shanghai Municipal authorities for the administration of pharmacy business.

The Shanghai Insurance Association entertained in honor of Mr. and Mrs. James H. Lee at a garden party held in the Majestic Gardens, June 9. Mr. Lee is leaving China shortly with Mrs. Lee. Mr. Lee is President of the Wah Hsin Fire and Marine Insurance Co., and is largely interested in industrial enterprises in China.

A Chinese Consulate-General will be opened in Annam in the near future, as a result of protracted negotiations between the Chinese and French authorities. The drafted Sino-French-Indo-China commercial treaty will be adopted by the Legislative Yuan on June 15 and will be made public simultaneously at Nanking and Paris.

H. A. Scott has been appointed Canadian Government Trade Commissioner at Shanghai to succeed Lt.-Col. L. M. Cosgrave, who was transferred last November to represent the Department in Australia. Mr. Scott will sail from Vancouver for Shanghai with his family on the s.s. *Empress of Japan* on August 10, reaching here on August 27.

Mrs. Helen Hall was awarded a divorce in Los Angeles June 5 from Bert Hall, famous as a flyer in the World War. Hall is serving a two-year term in the federal penitentiary on McNeill's Island, imposed upon him by the United States Court for China, at Shanghai, following conviction on charges of swindling a Chinese general in a bogus arms deal.

Pearl Buck, well known author of novels on Chinese life, was married in Reno, Nevada, June 12 to Richard Walsh, New York publisher. The marriage followed immediately after a divorce granted to both parties—the former from Prof. John Lossing Buck of Nanking University, and the latter from the former Mrs. Walsh.

Under the auspices of the Hankow City Party Headquarters, an Arts Exhibition was formally opened in said city June 5. Speeches were made by Messrs. Wu Ying, representative of General Chang Chun, Chairman of the Hupeh Provincial Government; Wu Kuo-chen, Mayor of Hankow; and Wang Ya-min, representative of the Central Party Publicity Committee.

Roger Greene Resigns as Acting Director of P.U.M.C.

Roger Greene, acting director of the Peking Union Medical College (Rockefeller institution at Peiping), since 1927, resigned June 8. His resignation was accepted by the Board of Trustees, to take effect June 30. Pending the appointment of a successor, the College will be administered by a committee composed of Dr. J. P. Maxwell, who is British, and Dr. R. K. S. Lim.

Soviets Enter Motor Truck Field in Shanghai

The Soviets have entered the motor truck field in Shanghai, an office have being opened at the corner of Szechuen and Hongkong Roads by the "Technoexport," a Soviet export organization. Centrosojus (England) Limited, the Soviet trading concern here, is handling the agency. The truck on display is a three ton unit. The radiator bears the insignia "C.C.C.P." (in English, U.S.S.R.) surmounted by the familiar Soviet star.

Eleven Percent Flat Rate Telephone Increase Approved by Councils

The temporary 11 per cent flat increase in telephone rates, retroactive to April 1, 1935, in the Shanghai International Settlement and the French Concession is to go into effect in the next few days.

The Shanghai Municipal Council and the French Municipal Council have approved the step, under articles 11 and 13 of the respective franchises, but the action will not apply to other services furnished under agreements with other authorities. Subscribers' bills during the month of June will be based on the amended tariffs and will include an additional amount covering service and facilities retroactive to April 1 or after, depending when new installations were made. In agreeing with the 11 per cent increase, the telephone company reserves all its rights under its franchise.

The French Municipal Council, in agreeing with the increase, has however, attached several reservations, the most outstanding being one making clear that the increase was accepted on the basis of information on profits, etc., supplied by the telephone company.

Japanese subscribers have been outspokenly critical of the Council's action in dealing with the telephone rate question. Dr. K. S. Inui, expert attached to the Japanese Legation, and M. Amano, proposer and seconder respectively of the "telephone resolution" passed at the ratepayers' meeting on April 17, addressed a letter of protest to H. E. Arnhold, chairman of the Shanghai Municipal Council, objecting to the fact that representative national organizations in Shanghai had not been consulted with regard to the selection of members for the Special Telephone Comimttee called for in the telephone resolution. The letter also called the Council chairman's attention to the fact that the resolution permitted the appointment of one or more experts to study the telephone situation and asked Mr. Arnhold to appoint at the earliest moment a Japanese expert and "proceed with the inquiry, which has already been unduly delayed."

C. Godfrey Phillips, acting secretary of the S.M.C. replied to the letter, among other things stating that the appointment of a Japanese telephone expert instead of a British expert would not have been acceptable to the telephone company and that the resolution passed at the Settlement ratepayers' meeting does not require the appointment of more than one expert.

Japanese Say Soviets Have Resumed Work on Siberian Defenses

The Soviet Army has recently resumed construction of fortifications near Tungning on the Suifen River, according to a special dispatch to the *Asahi* from Hsinking, referred to in the *Japan Advertiser* of June 1, which says the construction of barbed wire entanglements in that area is again under way, after having been suspended last year. From European Russia, the report adds, the transportation of artillery and infantry units and tank corps to the Siberian border area has been under way since the beginning of this spring.

Clash on Manchukuo-Soviet Border—Soviet Soldiers Wounded

Conflicting versions are given by *Tass* and *Ranzo* of a clash which took place along the Manchukuo-Siberian border early this month.

The Soviet version of the incident states that the Japanese-Manchurian detachment, lying in ambush on Soviet territory attacked two mounted Red Army men, guards on the frontier, when they were 1,700 meters from the frontier. Under a volley of fire, one of the Red Army men dashed into the outpost for help. By the time the rescue party of Soviets reached the place of attack, they found only empty cartridge cases, a few cartridges and pools of blood. The second Red Army man was evidently either killed or wounded and carried into Manchurian territory, in which direction the footprints of the horses led.

Hurling a counter-charge to the Soviet protest that combined Japanese-Manchukuo forces had invaded U.S.S.R. territory early this month, the Japanese Foreign Office June 11 alleged that Soviet troops had violated the frontier and had engaged in combat on Manchukuo territory. From the reports of Gen. Minami, the spokesman claimed that it was "clear" that the incident occurred on Manchukuo territory and that the Japanese patrols had acted "only in self-defense."

Nicholas Ravvid, counsellor to the Soviet Embassy, called at the Foreign Office in Tokyo June 11 and protested against the alleged capture of several Soviet frontier guards by Japanese troops on June 3 and demanded their surrender. It is understood that the Foreign Office rejected M. Ravvid's protest.

The incident, the Japanese version of which is entirely different from the Russian, it was stated, is likely to be settled amicably by immediate negotiations.

Japan-Soviet Fisheries Negotiations Start in Moscow

Formal negotiations for the conclusion of a new Soviet-Japanese fisheries treaty to replace the Karakhan-Yoshizawa Agreement which expired on May 5, were started in Moscow this week. Japan, it is said, will not seek a revision of the essential parts of the Treaty, but will try to obtain Soviet assent to regulate the application of certain parts of the previous Pact.

Soviets to Salvage Old Cruiser

Three search parties of the Soviet Salvaging Association left Vladivostok on June 3 for the northern part of the Maritime Province in an effort to locate the *Izumrud*, a Russian cruiser sunk during the war of 1904-05.

Annie Louise Strong Says Japanese Are Nervous While Soviets Are Confident

Annie Louise Strong, one of the editors of the Moscow *Daily News* (published in English), recently returned to the Soviet capital, after a trip to the United States traveling via Japan and Vladivostok. She made the comment on her arrival in Moscow recently that despite the final stranglehold over all Manchuria's resources which the purchase of the Chinese Eastern Railway from the Soviets would seem to give Japan, and despite the exodus of 200,000 Soviet citizens now taking place from Manchukuo, one cannot cross Far Eastern borders from Yokohama to Vladivostok without noting that the Japanese seem nervously worried, while the Soviets are still energetic and confident.

Soviet C.E.R. Workers Receive $11,000,000

The 16th trainload of repatriated Soviet citizens, formerly employed by the Chinese Eastern Railway, left Harbin for Russia this week. It is estimated that the North Manchuria Railway has already paid $11,000,000 to Soviet ex-employees, approximately 50 per cent in cash and the balance in bonds redeemable within two years.

Deals Under C.E.R. Transfer Agreement Total More Than Two Million Yen

Eleven contracts, involving transactions of a total value of Yen 2,270,000, under terms of the agreement for the transfer of the Chinese Eastern Railway from the Soviets to Manchukuo ownership were signed between Japanese traders and Soviet representatives in Tokyo last week.

Soviet-Business in Harbin on the Wane

Following the withdrawal of their interests in the Chinese Eastern Railway and the subsequent stagnation, Soviet commercial enterprises in Harbin have received orders from their Government to suspend their operations. It is explained that the discriminatory attitude of the Manchukuo authorities makes it impossible for the Soviets to carry on business in Manchuria.

In the United States Court for China

ALEXANDRIA TRUMBULL, Plaintiff, vs. JOHN P. E. TRUMBULL, Defendant.	Cause No. 3882 Civil No. 1818 ORDER Filed at Shanghai, China, June 12, 1935. William T. Collins, Clerk, L. T. Kenake, Asst clerk

The object of this suit is an action for divorce:

WHEREAS, plaintiff herein, by her attorneys, has this 12th day of June, 1935, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 12th day of June, 1935, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 12th day of June, 1935, the plaintiff herein filed an affidavit to the effect that the defendant does not now reside in China nor has he resided therein since the last four years and that defendant's last known address was c/o Browning's Cafe, Shanghai, China.

NOW, THEREFORE, it is this 12th day of June, 1935, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the *China Weekly Review*, a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause his appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occuring after the 29th day of June, 1935, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

BY THE COURT:

Dated at Shanghai, China,

this 12th day of June, 1935.

MILTON J. HELMICK,

Judge.

THE TANAKA MEMORIAL

Much debated secret document outlining Japan's imperial policy of conquest—supposedly presented to the Emperor of Japan by Premier Tanaka on July 25, 1927.

Although officially repudiated, Japan has nevertheless followed the Memorial's recommendations since 1931.

Preparing for War with U. S. A.?

The Tanaka Memorial should be read by all students of the Far Eastern Question. Send for a copy, the price is only 10-cents, with an additional 5-cents for postage.

Address orders to

THE CHINA WEEKLY REVIEW

160 Avenue Edward VII

Shanghai.

War in the Far East Is Inevitable for U.S.A.

BY SAMUEL H. CHANG

DECLARING at the outset that this his latest volume* is not a book about the Far East but that it is "a book about war in the Far East, war involving both East and West", Nathaniel Peffer answers his own question with a clear-cut presentation of the various factors which are rendering armed conflict in the Far East inevitable. As is to be conceded, Japan takes the role of the villain in the approaching world drama though, as the author points out, the startling thing is that the world should express surprise at Japan's actions in China in the past decade and in the future for that matter. In other words, Japan may be the guilty party, but the other Powers must assume the blame.

The book is an indictment of the West in the Far East. In regard to Japan, it only shows how natural it has been for the Japanese to act as they have in the past and will in the future. Must there be war in the Far East. And must the Powers fight in the Far East? What silly questions to ask. Have the Occidental Powers not made it inevitable? And why should not the Japanese fight against any and all comers? The question as to who will emerge victorious is quite another matter; but war there must be in the Far East and not in the very distant future either.

The issue in the Far East is the market in China—the 400,000,00 potential consumers of the manufactured products of the West and Japan—a struggle for survival.

"Subjected at first to Western domination, Japan slipped out through the too loose net which the West in its overconfidence had thrown over the Far East, and rescued itself. Alone among the Eastern peoples it read the secret of Western superiority. Consciously and deliberately it broke with its heritage of culture and adopted industrialism as the key to power. Having acquired the instruments of power,it proceeded to use them, not only as a means to wealth and strength but as a measure of defense. It turned to aggression on its own hemisphere because aggression was profitable, materially and psychologically, and also because if it did not do so the Western empires would lodge themselves. Once established in China, they would be in a position to swallow up Japan." Rather than being absorbed, Japan has determined "to forestall the West by doing itself that which the Western nations were striving to do, and doing it first."

The author traces Japan's rise to world eminence through a spectacular industrialization which is no doubt without parallel in history. Within less than a hundred years Japan has transformed from a loose connection of feudal principalities to one of the great empires of the present century. It is carrying the battle in almost all fields to the territory of its Western teachers and is showing its heels to the latter. The economic backwardness of China, coupled with her internal weakness, provided Japan with the necessary opportunity for expansion, although the process of the subjugation of China was already in motion long before Japan actually entered the field. But within a decade Japan made short work of both China and Russia and in the fourteen years between the Russo-Japanese war and the end of the World War, Japan had made itself the decisive element in the Far Eastern situation which now presented three distinct sides: China, the West and Japan.

The World War accelerated Japan's aggrandizement of China at the expense of the Western Powers; and the failure of the Peace Conference and subsequently of the Washington Conference fired China's latent nationalism which flared forth all over the country, resulting in the reorganization of the Kuomintang and its eventual victorious march to Peking. The ascendency of the Kuomintang government necessarily threatened Japan's position in Manchuria and after China's unsuccessful dispute with Soviet Russia over the Chinese Eastern Railway, Japan's application of its "positive policy" became a matter of time.

Since the day of the Machurian incident, September 18, 1931, when the Japanese military occupied the capital of Shenyang, Japan moved with rapidity and resoluteness. It discarded all pretenses and flouted the League of Nations. It established "Manchukuo" and demilitarized all territory between it and the Peiping-Tientsin area. Since then it has also demilitarized the Peiping-Tientsin area. The Japanese General Staff took no pains to conceal its indifference to what the rest of the world thought. China had been cowed and the West had to accept the new status as inevitable. It condemned the League of Nations' adoption of the Lytton Report by first withdrawing from the League and then issuing an abrupt warning to to all other Powers to keep hands off in China. "Japan considers that to keep peace and order in the Far East she must act singlehanded and on her own responsibility. Japan considers that no other country except China is in a position to share that responsibility," so declared a spokesman of the Japanese foreign office in April, 1934. China became Japan's preserve. The shutting out of the Powers from China by Japan means the insolvency of the Powers and only war can stop Japan from her trade offensive.

"War, then with whom? Only three countries come into question: Great Britain, Soviet Russia, the United States." War between Japan and Great Britain, the author holds, can be excluded at this stage. "It is too remote a possibility. Great Britain may oppose Japanese encroachment with every deplomatic and economic strategem, but unless there is a complete reformulation of the international situation it will stop short of measures which threaten actual conflict. As a matter of practical politics it can do so, for even if Japanese aggrandizement constitutes a menace to its national security, it can count on others to undertake the obligation of removing the meance."

As for Soviet Russia and the United States, war between Japan and either of them "must now be counted as a definite possibility, if not a probability."

Both Russia and Japan are feversihly preparing for an armed conflict although it is to be presumed that Soviet Russia will go to war only if its territory is violated because it must have time to carry out its industrialization and must conserve its resources to that end. On the other hand, it is to Japan's advantage to act soon because with every year that passes Soviet Russia can be expected to become economically and technologically stronger for military purposes. "And if Japan does elect to give challenge in the next few years it will be in recognition of this urgency". And if war broke out, it would have far-reaching repercussions. "In result, even if not in extent of participation, it would be a world war."

For one thing, China would be involved firectly or indirectly. Officially, she might be neutral, at least at the beginning, but the Chinese would give such aid to Russia as they could. If Russia won, nothing could keep China from going communistic. Great Britain also would not remain aloof; neither could France remain a disinterested spectator while Russia was crushing Japan. Germany also becomes an unknown factor, for the Far East is bound to be brought within the sphere of European politics.

One is inclined, however, to disagree with the author that a complete Japanese victory would be only a little less serious for the Occident. A complete Japanese victory would certainly mean the occupation of large parts of China if not the placing of all China under Japanese protectorate which would mean the end of the China market for Western manufactures. The presumption that a complete Russian victory would result in a social revolution of the so-called oppressed peoples in Asia does not sound convincing especially in view of the fact that Russia has been turning to the Right in her internal economic policy and reconstructon. However, the author believes that "forced to the choice, Great Britain would prefer a Japanese victory as the lesser of two evils; so also would the other European Powers. Forced to the choice, the United States would prefer a Russian victory as the lesser of two evils, for that would at least postpone the foreclosure of its economic expectations from the Far East."

War between the United States and Japan is as irresistible as the political and economic forces which are forcing it. America's refusal to concede parity to the Japanese navy, her oppostion to Japan over the Manchurian issue, the Open Door policy, her insistence upon participation in the Six-Power Consortium, her denunciation of the Twenty-one Demands, her insistence at the Washington Conference that forced Japan to retrocede the Kiaochow Peninsula to China and her famous Stimson Doctrine in regard to the situation in Manchuria in particular and China in general were all acts which became plain to the Japanese. America was the enemy, the obstacle to fulfillement of their schemes of aggrandizement and hegemony in the Far East. "America opposed Russia when Russia threatened to close off the Far East for its own use. It began to oppose Japan as soon as Japan offered the same threat. And its oppostion has become more direct and vigorous and uncompromising as Japan has come nearer attaining its end. The Far East does hold something for America. And if America is inflexible in its resistance to any effort to foreclose on the economic potentialities of the Far East, that is because it is thinking of its own economic expansion in the only part of the world still left open to expansion . . . . . America has reached a point where it must have larger field for economic activity . . . . . The most promising field for export happens to be China. Hence America's interest in China, which has grown in proportion to its needs. The efforts for trade and the results have grown in equal proportion. Exports to China have increased six-fold from 1910 to 1930, a comparison which is not lost on the American government or American business. A projection of that increase is America's promise for the future, a promise it will not allow to be denied itself—whether by Japan or Russia or any other country."

After pointing out the inevitableness of war in the Far East, the author concludes by asking whether such a war can be prevented. In his opinion, the question of war, whether in the Far East or elsewhere is part of the social dilemma. "The problem of war is inseparable from the social problem and subordinate to it. The motive of political aggression is economic expansion, and economic expanson is indispensable to social stability. Since all highly industrialized countries are in the same situation and the same motivation, there is competitive aggression between nations. Conflict is inevitable. It can be prevented only by the elimination of the motive

*Must We Fight in Asia? By Nathaniel Peffer: Harper and Brothers, Publishers, New York and London: 244 pages, indexed.

. . . . And only by socialization can we attain a proper balance between productivity and income, the balance by which alone we can avoid recurrent choice between economic stagnation and national aggression as an escape from stagnation . . . . And this is the only insurance against war, whether in the Far East or elsewhere: to eliminate the cause—the cause of economic expansion, national aggression, imperialistic rivalry and war."

June 10, 1935.

Plunder and Frauds

The Popular Pratice of Fraud, by T. Swann Harding. Longmans, Green & Co.

Partners in Plunder, by J. B. Matthews and R. E. Shallcross, New York: Covici Friede.

One of the effects of the hard times in the United States has been that the American public has the leisure to read matter dealing with fundamentals. The result is that there has been a vast flood of literature of the character represented by the two books here reviewed, dealing with subjects which, before the crash came, would have received scant consideration. The American public at that time was too busy making money to "waste" any time on people who "knocked" or "kicked." The whole trend of American life at that time was to join the band wagon, to get into the swim while the water was fine, and to boost—frequently with little appreciation of what the boosting was about. The American idea was to follow the crowd, lest the Devil might get the hindmost.

The writer has had considerable experience in selling various products to Russians and Chinese and has always been impressed with the evident distrust which both these people display against buying highly boosted articles, particularly those of American manufacture. Perusal of such a book as "The Public Practice of Fraud" shows that the instinct of these comparatively primitive people (from an industrial point of view) has been well founded. The author, Swann Harding, shows that there have been frauds in society, in law, in drugs, in foods, in history, in science, in textiles, in industry, and in what not.—He gives chapter and verse. One needs to read only a comparatively few of the 376 pages this book, or of "Partners in Plunder" to have it borne in on one that Barnum's old dictum, "There's another one born every minute" still holds good, particularly in the United States. When high pressure salesmanship went up against low resistance, a vacuum seems to have frequently been created—generally in the public's craniums.

G. W. M.

Commercial Press Issues Collection of Chinese Studies

The Commercial Press has just issued 'Tsorng Shu Jyi Cherng," (a collection of a Hundred Best Series of Chinese Studies, 1201 A.D.—1897 A.D.) The nature and scope of the work is well described in an Introduction contributed by Y. W. Wong, managing director and concurrently editor-in-chief of the Commercial Press, in the course of which says:

"In these days of cultural renaissance, the introduction of new knowledge and the promotion of classical studies should command equal importance. The publication of 'Tsorng Shu Jyi Cherng' offers an opportunity, hitherto denied, to everyone to acquire the treasured volumes at less than ten per cents of its original cost. Furthermore by publishing the work in 4,000 volumes for ordinary stacks, or in 1,000 volumes if *de-luxe* binding for large libaries, along the same style as the 'Wan Yeou Wen Kuh,' great advantages have been embodied in the undertaking."

Chinese Officials Feted by the Soviet Ambassador at Nanking

A big receiption was given at the Soviet Embassy in Nanking June 7 by M. Bogomolov, the Soviet Ambassador to China. High officials of the Chinese Government and business leaders in the capital attended the function.

A PUNCH STORY.

"I say," whispered the host to his wife, "I've served out the aquarium instead of the punch, do you think the guests will notice?"

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The "Two-Bottle System" of Curing the Opium Habit

The English Baptist Missionary Society's hospital at Sianfu, at Mme. Chiang Kai-shek's suggestion, recently started a clinic for the treatment of women opium takers. The system generally in use is what is known as the two bottle system. Two bottles are provided, one filled wtth pure water and the other with an opium mixture which is strong or weak according to the state of the patient, who is given a dose from the opium bottle which is filled again from the water to the quantity of the dose. In this way the strength of the mixture is reduced until it is plain water and the women are weaned from the habit. In addition, says a *Rengo* message to the newspapers in Japan, "considerable moral persuasion is used."

Nanking Official Statement Says Only Six Executed for Smoking Opium

A Nanking official statement says that there has been considerable misunderatanding, both at home and abroad, in connection with the 263 executions recently reported by Dr. J. Heng Liu, chairman of the National Opium Suppression Commission, to have occurred last year in connection with the anti-opium campaign. The report that all the 263 persons paid the death penalty because they were drug-addicts is incorrect. Dr. J. Heng Liu asserts that 257 out of them were manufacturers, sellers or traffickers in narcotic drugs. Only six addicts were executed—and this because they reacquired the habit after having been cured.

About 20,000 catties of opium, 6,000 pieces of opium-smoking paraphernalia and 2,000 red pills were burned by the Chinkiang District Court, June 5.

After completing an investigation of the destruction of all opium poppy fields in Hunan province, Liu Chung-ti, Special Opium-Suppression Commissioner for Hunan, proceeded to Hankow June 9 to report to the Provincial Headquarters of the President of the Military Affairs Commission.

The Special Commissioner dispatched to Changsha by the Provisional Headquarters of the President of the Military Affairs Commission at Wuchang to supervise the opium suppression, reports that Hunan is now cleared of poppy cultivation as a result of the rigid enforcement of the opium sppression measures in the province.

American Economic Commission Confers With Chinese Bankers

A five-day conference on Sino-American trade problems was held this week by the American Economic Mission with Chinese economists bankers and business men in Shanghai. Among the Chinese who were invited to take part in the discussions were Ma Yin-chu, noted economist of China and leading member of the Legislative Yuan; D. K. Lieu, head of the statistical bureau of the national government: K. P. Chen, managing-director of the Shanghai Commercial and Savings Bank; Chang Kia-ngau, deputy-governor of Central Bank; Singloh Hsu, general manager of the National Commercial Bank; J. Usang Ly, president of the Chiaotung University; L. T. Chen, manager of Kincheng Bank; Tsuyee Pei, manager of Bank of China and Messrs. Yu Huan-teng, P. W. Kuo, Chen Chieh, Y. M. Chien, Hsia Hsiao-fang and Ku Chi-kao.

Cameron Forbes Pays Visit to Commercial Press

W. Cameron Forbes, chairman of the American Economic Mission, paid a visit to the Commercial Press, Chinese largest printing establishment, located in Shanghai, June 8. He was enthusiastically greeted by the Commercial Press officials, among them being Wong Yun-wu, general manager of the Commercial Press, Messrs. Bang How, Francis K. Pan and Dr. S. W. Kung. Although the Commercial Press establishment sustained a loss of over 16 million dollars during the Sino-Japanese hostilities of 1932 its business has been developed on a scale almost equalling its former size.

C. J. Carroll, Vice-Chairman of the American Economic Mission, proceeded to Nanking from Shanghai, June 8, to bid farewell to the Central authorities on behalf of the Mission.

China Is Nervous Because of America's Silver Policy

The Shanghai *Chen Pao* in an editorial registered China's nervousness caused by reports from Washington that the silver bloc is seeking to force the silver price from U.S. $0.7757 to $1.29. The paper reasoned that such an increase in silver price is likely to come, and that in case the silver price is further increased China's export trade had to be completely stopped, her industrial activities suspended, and her monetary system completely ruined. The editorial was in the form of an open letter to the American Economic Commission now in Shanghai.

Japan-China Cotton Mills Report Huge Deficit

The board of Directors of the Japan-China Spinning and Weaving Co., Ltd., which operates a number of mills in Shanghai, June 8 decided to recommend to the stockholders of the Company to omit paying dividends for the current term. The general meeting of the stockholders will be held on June 28. The company's net profit for the term amounted to only Yen 110,000, but with the loss of Yen 1,254,000 carried forward from the previous term, the net deficit still stands at Yen 1,144,000.

Signor Mussolini Takes a "Crack" at Great Britain

Signor Mussolini in the course of a speech before a gathering of Black Shirts at Sassari, in Sardinia, June 10 said, "The so-called public opinion abroad" is nothing more than that of a ridiculous ninny which would be burnt up by the zeal of the Black Shirts. This "crack" at Britain is one of several indulged in by Italian statesmen lately. Notwithstanding Mussolini's obvious references to Great Britain's alleged "interference" in the alleged dispute between Italy and Abyssinia, it is understood that the Italian newspapers have been officially warned to hold off polemics against Britain.

New British Cabinet Is Headed by Stanley Baldwin

Stanley Baldwin succeeded Ramsay MacDonald as Premier in London May 7. Another notable change was the withdrawal of Sir John Simon from the Foreign Office, in connection with which "Sinjin for Short" wrote to the *Japan Chronicle* May 29:—"It seems to me that the chief fault of British foreign policy in the last three years has been the inability of Sir John Simon to take a firm stand on any matter of major importance. There can be not the least shadow of doubt that it was Sir John Simon's coldly legal attitude, and complete misreading of forces then at work in the Far East, that turned China's appeal to the League into such a wretched farce."

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The National City Bank of New York, Rates of Exchange

Shanghai, June 12, 1935

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Latest New York Stock Exchange Quotations

June 12, 1935
Business Done:-
Total Volume: 1,150,000 Shares

1934-35 High	1934-35 Low	Div. $ per sh.	STOCKS	Last Sale June 10	Last Sale June 11
132	90¼	4.00	American Can	132	134½
22½	14⅝	0.40	Amer. Cyanamid "B"	19⅝	20⅜
13⅜	2	—	American & For. Power	3⅝	3⅞
38⅝	9¼	—	American Locomotive	13⅝	14⅝
17⅝	10	—	American Radiator	13⅜	14
51¼	30¼	—	American Smelting	43¼	43¾
129½	99¼	9.00	American Tel. & Tel.	129½	130
89	67	5.00	American Tobacco "B"	88½	88¼
27⅝	7¼	0.80	American Waterworks	12⅝	12⅝
17⅞	8	—	Anaconda Copper	15⅞	16
73¾	36⅝	2.00	Atchison, S. & S. Fe	41⅞	42⅞
35¼	21⅝	1.00	Atlantic Refining	25⅝	26⅜
57⅝	15	—	Auburn	20	21¼
34½	7⅞	—	Baltimore & Ohio	10⅝	11½
23⅞	9¾	—	Bendix Aviation	13½	14¼
49½	22½	—	Bethlehem Steel	26	26½
11¾	6¼	—	Boeing Airplane Co.,	7¼	7⅛
28¼	19⅞	1.60	Borden Co.	23⅞	24
38⅞	16⅜	1.50	Borg Warner	35⅝	36½
18¼	9½	—	Canadian Pacific Railway	10½	11
86⅝	35	—	Case, J. I.	54⅞	56¼
49⅝	23	1.00	Caterpillar Tr.	45⅝	47½
40⅜	15⅞	1.40	Chase National Bank	24¼	24½
48¾	37½	2.80]	Chesapeake & Ohio	44¼	44½
60¾	29¼	1.00	Chrysler	46	47¼
19¼	3¾	—	Columbia Gas & Electric	6¾	6⅞
36⅜	15⅜	0.60	Coml. Solvents	19½	20⅛
3⅜	0⅜	—	Commonwealth & Southern (ord.)	1⅜	1⅜
47⅝	16¼	1.00	Consolidated Gas of N. Y.	23¾	24¼
23	15½	0.50	Continental Oil	20⅝	21¼
84¼	55½	3.00	Corn Products	75	75¼
9⅞	3⅜	—	Coty Inc.	4¾	4¾
28½	14½	—	Douglas Aircraft	24¼	25
103⅞	80	3.25	Du Pont de Nemours	99⅝	101⅜
23¼	3¾	—	Electric Bond & Share	7¾	7⅞
17½	8¼	—	Fox Film "A"	15½	14⅞
26½	16⅞	0.60	General Electric	25¼	25¾
36⅞	28	1.80	General Foods	35⅞	35½
42	24⅝	1.50	General Motors	31½	31⅛
23	14½	1.20	Gold Dust	15⅜	17
41⅜	16	—	Goodyear Tire & Rubber	17⅝	18½
37⅜	18⅜	0.25	International Cement	28½	29
29¼	21	0.60	International Nickel	28⅞	28½
17⅜	5⅜	—	International Tel. & Tel.	8½	8⅜
66¾	39	0.25	Johns Manville	49	49¾
23¼	14	0.60	Kennecott	18⅞	18⅝
41⅜	20⅜	2.00	Loew's Inc.	40⅞	41⅞
22½	15⅜	1.20	Lorillard	21¾	22
35⅜	20	—	Montgomery Ward	25	26
49½	22¼	2.00	Nat. Biscuit	29½	30
48	16⅓	1.00	National City Bank	23	22⅞
18⅜	13	1.20	Nat- Dairy Prods.	15¼	15⅝
31⅜	16	0.50	National Distillers	25	25¼
15¼	5	0.80	Nat. Power & Lt.	8⅞	8¾
46¼	12¼	—	New York Central	16½	17
25¼	9¼	1.00	North American	15⅜	15⅜
23¼	12⅜	1.50	Pacific Gas & Electric	22¾	23¼
37	19	2.40	Pacific Lighting	33	33½
6⅜	2⅜	—	Packard Motors	3⅜	3⅞
39¼	17¼	1.00	Pennsylvania Railroad	21¾	22⅜
22¾	13	1.00	Phillips Petroleum	21⅜	22⅜
45	20⅜	2.40	Public Serv. of N.J.	34½	34½
8¼	4	—	Radio Corporation	5⅜	5¼
69⅜	43¼	3.00	Reynolds Tobacco "B"	51½	51¼
35⅜	17½	—	Schenley	25⅜	26¼
51¼	31	0.75	Sears Roebuck	39⅜	40⅜
19⅞	11	0.60	Socony-Vacuum	13⅜	13⅜
22¼	10⅛	1.50	Southern California Edison	17⅞	20
33⅜	13	—	Sthrn. Pacific	16⅞	17½
36¼	7⅜	—	Sthrn. Railway	9¾	10⅛
25¼	13¾	1.00	Stand. Brands	15¼	15¼
17	1⅜	—	Standard Gas & Electric	3⅜	3⅝
42⅜	26½	1.00	Stand. Oil of Cal.	34⅜	35¼
50¼	35⅜	1.25	Standard Oil Co. of N. J.	49¼	49¼
67	47¼	3.80	Sterling Products	61⅞	62½
29⅜	15⅜	1.00	Texas Corporation	21	21⅝
43¼	29	2.00	Texas Gulf Sulphur	34	35
8¼	5	.12½	Transamerica	6¼	6¼
60¼	35⅜	1.40	Union Carbide & Carbon	59⅞	60¼
133⅜	83¼	6.00	Union Pacific	101	103½
15¼	8⅛	—	United Aircraft (New)	12⅝	16⅜
6½	3¾	—	Un. Airline Trans.	5⅜	6
8⅜	1½	—	United Corporation	3¼	3⅛
24	9¾	—	U. S. Rubber	12½	13¼
59⅞	27⅞	—	U. S. Steel	32⅞	33¼
21⅜	11¼	—	Vanadium	12⅜	13
8¼	2¼	—	Warner Bros. Pictures	4⅛	4⅛
49¾	27⅛	0.25	Westinghouse Elect.	49¼	49

Call Money: 0¼ %

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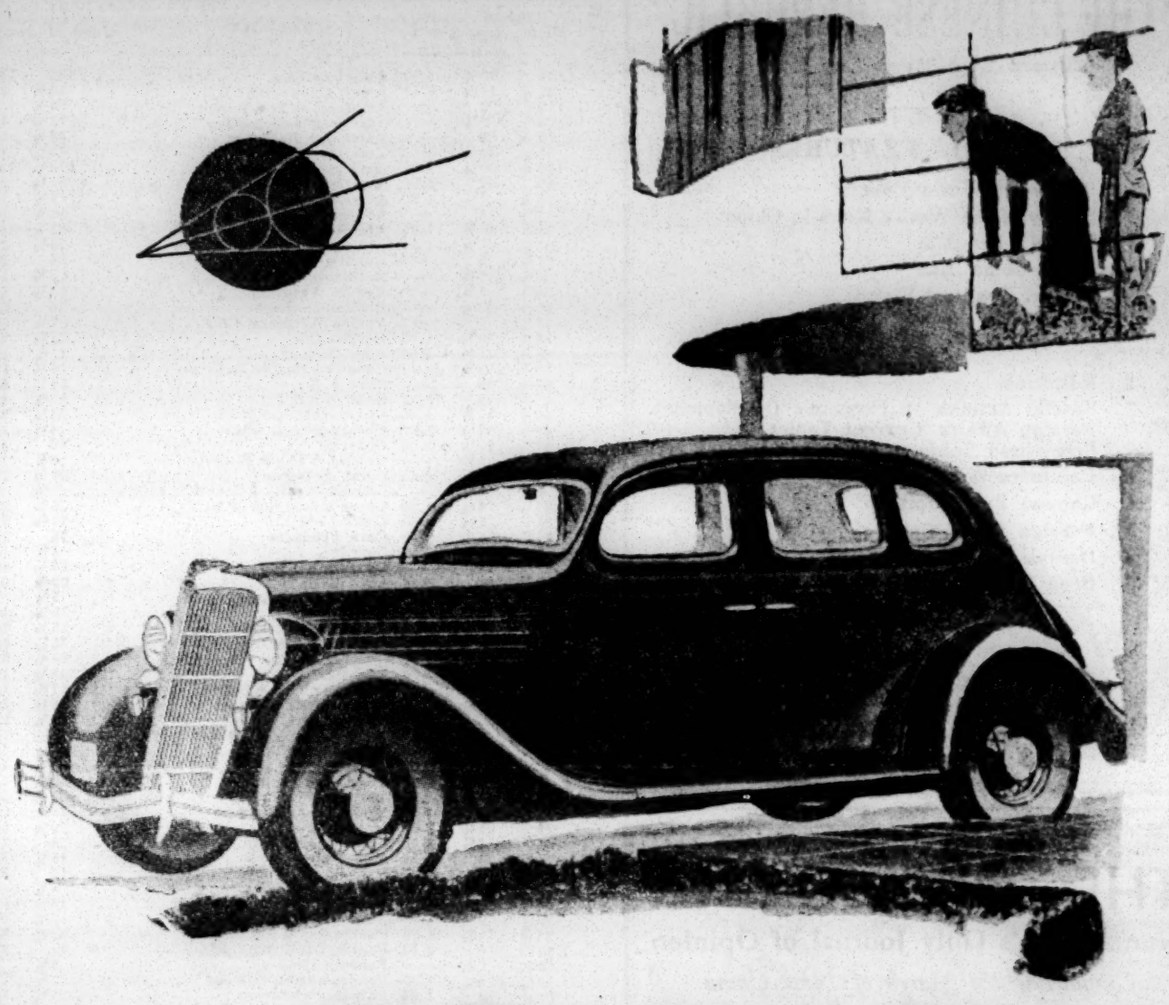

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